

# **Annual Auditor's Report on Philadelphia City Departments Fiscal Year 2021**



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

**Christy Brady, CPA  
Acting City Controller**



# CITY OF PHILADELPHIA

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Acting City Controller

December 7, 2022

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Office of the Director of Finance  
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We have examined the financial affairs of the various departments of the City of Philadelphia for fiscal year 2021 pursuant to the requirements of Section 6-400 (c) of the Philadelphia Home Rule Charter. A synopsis of the results of our work is provided in the executive summary to the report. The conditions in this report for departments marked with an asterisk occurred under the administration of a previous department head.

We discussed our findings and recommendations with management of the city departments during the course of the audit. Our recommendations have been numbered to facilitate tracking and follow-up in subsequent years. We believe that, if implemented by management, these recommendations will improve internal controls and the operations of these departments.

We would like to express our thanks to management and staff of the city departments for the courtesy and cooperation displayed toward us during the conduct of our work.

Very truly yours,

A handwritten signature in cursive script that reads "Christy Brady".

CHRISTY BRADY  
Acting City Controller

cc: Honorable James F. Kenney, Mayor  
Honorable Darrell L. Clarke, President  
and Honorable Members of City Council  
Members of the Mayor's Cabinet

<https://controller.phila.gov>



# **ANNUAL EXAMINATION OF THE FINANCIAL AFFAIRS OF CITY DEPARTMENTS EXECUTIVE SUMMARY FISCAL YEAR 2021**

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## **Why The Controller's Office Conducted The Examination**

Pursuant to the requirements of Section 6-400 (c) of the Philadelphia Home Rule Charter, we examined the financial affairs of Philadelphia's city departments as part of our audit of the City of Philadelphia's basic financial statements. The focus of our examination was to determine if management of each department had 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.

## **What the Controller's Office Found**

The Controller's Office again noted widespread deficiencies involving internal controls over payroll and cash activities that the Office of the Finance Director needs to address with department heads (see Appendix I). Highlights of the deficiencies include:

- The city's sick leave policy was still not enforced in 40 percent of all city departments. In many cases when employees met the criteria for placement on the Excessive Use of Sick Leave List, departments failed to place the employees on the list. Consequently, these employees were not penalized according to the city's sick leave policy and continued to use and be paid for sick leave in violation of this policy. Most notably, the failure of the Fire Department and the Department of Streets to enforce the city's sick leave policy resulted in their employees being improperly paid \$170,211 and \$84,356, respectively.
- Employee overtime was not properly authorized in 13 departments. Four departments – the Office of Innovation and Technology, the Department of Streets, the Department of Behavioral Health and Intellectual disAbility Services, and the Procurement Department – could not provide approved overtime authorization forms for any of the overtime dates selected for testing.
- Petty cash and imprest funds were not adequately accounted for in 14 departments. There were many instances where bank and/or fund reconciliations were not properly prepared, including several unresolved account shortages and overages. In particular, we noted the following:
  - The Department of Human Services was unable to provide support for a \$1,240 shortage reported on the fund reconciliation for its Budget Unit petty cash fund.
  - The Office of Homeless Services had a long-standing combined net shortage of \$1,138 in its Riverview and Adult Services petty cash accounts, caused primarily by unreimbursed disbursements from previous fiscal years.
  - There was a \$910 shortage in the Department of Parks and Recreation's petty cash account for its Program fund, which related to five checks issued between July 2011 through December 2014 not yet submitted for reimbursement. The department was unable to provide support for these five checks.
  - The Law Department reported a \$2,424 net overage in its petty cash account, which resulted from voiding checks that had previously been reimbursed.

Also, for the fourth consecutive year, the Controller's Office noted that the Department of Licenses and Inspections (L&I) did not reconcile its daily payment totals to the revenue amounts posted to the city's financial accounting system (FAMIS). For 12 collection days tested, a total difference of \$92,769 was noted between the revenue amounts posted to L&I's eCLIPSE system and FAMIS. Failure to reconcile daily cash receipts to FAMIS increases the risk of revenue misstatement and creates an opportunity for the misappropriation of funds.

## **What the Controller's Office Recommends**

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

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## **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 branches 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 2021 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 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.

## SCOPE OF AUDIT WORK

Our testing of all audit areas encompasses the period of July 1, 2020 through June 30, 2021, except for the following:

- Our review of departments' compliance with the city's Sick Leave Rules and Regulations covered activity for the last completed calendar year, which for the fiscal year 2021 audit was calendar year 2020.
- The testing of the Office of the Managing Director's Office of Emergency Management imprest fund and the Department of Public Health's COVID-19 imprest fund covered activity for the months of October 2020 through September 2021.

For the following 13 departments listed below, we deferred follow-up of the prior year findings regarding the departments' failure to properly enforce the city's sick leave policy for its civil service employees and/or the lack of an exempt employee sick policy. With the city's moratorium on requiring medical certificates for sick leave used between March 18, 2020 and September 27, 2020, our review of the departments' uncertified sick leave data from the city's OnePhilly payroll system for calendar year 2020 found there was not enough evidence to continue or resolve the findings. As a result, we also deferred follow-up of the prior year finding for the Office of the Director of Finance regarding the OnePhilly system's inability to track and monitor sick abuse. We will follow up on the status of these prior year findings in the fiscal year 2022 departmental audit.

City Council  
Department of Labor  
Office of Innovation and Technology  
Office of the Mayor  
Office of the Managing Director  
Department of Records  
Office of the Director of Finance  
Law Department  
Commission on Human Relations  
Office of Human Resources  
District Attorney's Office  
Department of Planning and Development  
City Commissioners Office

## **FINDINGS AND RECOMMENDATIONS**



City of Philadelphia  
City Council  
Findings and Recommendations  
Fiscal Year 2021

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. In fiscal year 2021, City Council's General Fund budget included a \$25 million appropriation that represented a placeholder for future New Normal Budget Act appropriations, which would be transferred to other city departments to fund programs designed to address the social problems illuminated by the COVID-19 pandemic and civil unrest.

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

Appropriations:  
General Fund \$42,282,973  
Grants Revenue Fund 205,300  
Total Appropriations \$42,488,273

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

Number of Full Time Employees:  
Exempt 182

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Payroll attendance records were not always properly authorized by appropriate supervisory personnel.</u> For one of five employees selected for testing, we noted that the employee's attendance records, which are bi-weekly timecards maintained in the city's online payroll system, were not always approved by higher level supervisory personnel from City Council. For three out of four timecards tested for the employee, we noted that, instead of being approved by City Council's supervisory personnel, they were approved by either a payroll examiner or payroll supervisor from the Finance Office's Central Payroll Division.</p>	<p>Employees may erroneously be paid for time not worked or fail to be paid for time that was worked.</p>	<p>Supervisors from the department should review and formally approve employees' timecards in the city's online payroll system. Additionally, the department's payroll personnel should review employees' timecards to ensure that the appropriate approvals were obtained [100121.01].</p>	<p>Supervisors and the director of human resources work diligently each pay period to ensure the accuracy and timely approval of timecards.</p> <p>Council will continue working to improve the accuracy of the timecards, to avoid approval concerns.</p> <p>Supervisors and the director of human resources will also continue to remind staff members to submit their timecards in a timely manner, to further reduce the instances of approval issues.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the fourth consecutive year, we have reported that documentation supporting and authorizing employee leave time was not always prepared.</u> Out of 19 sample days tested for five selected employees, the department was unable to provide properly approved leave requests in two instances, as follows:</p> <ul style="list-style-type: none"><li>• In one case, an employee approved her own leave request for a vacation day.</li><li>• In the other instance, which involved a different individual, the employee requested to use compensatory time when she was not going to be paid for work hours that she entered into her online payroll system timecard because she failed to submit the supporting timesheet. The employee's request was verbally authorized instead of being formally documented with an approved leave request.</li></ul>	<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>Individual Council offices use different methods for requesting and approving leave time, such as written requests, email requests, and calendar notifications. These methods provide for oversight and accountability.</p> <p>While the independently elected offices determine the method that is best for the office, the director of human resources will create a new leave request form that can be used by all staff members. This will add greater uniformity to the leave request and approval processes.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed that on seventeen occasions, the department disbursed petty cash funds totaling \$3,266 for refreshments for internal meetings attended only by city employees.</p>	<p>The improper use of petty cash funds resulted in the expenditure of funds which are not allowed to be processed through petty cash.</p>	<p>We recommend that management refrain from approving petty cash expenditures for unallowable purchases [100116.01].</p>	<p>Implemented.</p>

City of Philadelphia  
Department of Labor  
Findings and Recommendations  
Fiscal Year 2021

Functions

The Department of Labor, which replaced the Mayor's Office of Labor Relations, was created by an amendment to the Philadelphia Home Rule Charter (Charter) approved by the voters at the election held on June 2, 2020 and effective as of July 1, 2020. The department's 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.

<u>Name and address of department head</u>	<u>Appropriations:</u>	<u>Estimated Revenues:</u>	<u>\$-0-</u>
Richard Lazer, Deputy Mayor of Labor	General Fund	\$2,839,104	
Department of Labor			
One Parkway Building			
1515 Arch Street, 11 <sup>th</sup> Floor		<u>Number of Full Time Employees:</u>	
Philadelphia, PA 19102		Civil Service	9
		Exempt	<u>17</u>
		Total Employees	<u>26</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<b>PETTY CASH</b>  <u>A shortage existed in the department's petty cash account.</u> During our review of the department's petty cash account, we noted that, on the February 2021 fund reconciliation, the bills to be vouchered included a \$100 disbursement for a food purchase made in July 2016. According to department management, the supporting receipt for the disbursement was lost, and they informed the Finance Office of the missing receipt in October 2019. However, the account continues to be short by \$100.	Failure to properly reconcile the account increases the likelihood that receipts and invoices can be lost, complicating the reimbursement process. Failure to timely investigate and resolve shortages or overages on petty cash reconciliations increases the risk that missing funds will remain unrecovered or that overages will be misappropriated.	Management should solicit the city Finance Office's assistance to determine the proper resolution of the \$100 shortage caused by the missing receipt [100321.01].	The Department of Labor has submitted the proper paperwork and submitted the transaction to Finance in order for proper reimbursement to our petty cash account.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Inadequate procedures for safeguarding petty cash funds.</u> During our review of the Department of Labor's petty cash records, we noted that there was an unauthorized withdrawal of \$500 from the bank account by a person outside of the department. We also noted two additional unauthorized withdrawals in the amounts of \$100 and \$200.	Failure to maintain and implement adequate procedures for the safeguarding of assets led to \$800 in unauthorized withdrawals from the account.	Management should close the current bank account immediately and submit the proper documentation to establish a new bank account for the petty cash funds in accordance with standard accounting procedures of the city's Finance Office [100519.01].	Implemented

City of Philadelphia  
Office of Innovation and Technology  
Findings and Recommendations  
Fiscal Year 2021

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 2021, there was a \$30.1 million decrease in estimated non-tax revenues and a \$25.5 million decrease in Grants Revenue Fund appropriations due to anticipated decreases in emergency 911 surcharge revenues and the payment of those monies from the Grants Revenue Fund to the General Fund.

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	\$ 129,360,128
Water Fund	31,492,358
Grants Revenue Fund	78,218,878
Aviation Fund	2,521,351
Capital Fund	<u>87,682,000</u>
Total Appropriations	<u>\$329,274,715</u>

Estimated Revenues:

Non-Tax Revenue	\$ 94,961,000
From Other Governments	5,874,000
From Other Funds	<u>71,528,000</u>
Total Estimated Revenues	<u>\$172,363,000</u>

Number of Full Time Employees:

Civil Service	105
Exempt	<u>310</u>
Total Employees	<u>415</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL PROPERTY</b></p> <p><u>For the fourth 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 personal property database, we noted 246 items, valued at \$2,197,738, which have been reported as “cannot locate” 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 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 or additional information necessary to close out the remaining “cannot locate” items.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee overtime was not properly authorized.</u> Overtime was paid without evidence that management had approved the number of hours or the reasons supporting the overtime requests prior to employees working overtime. The department could not provide evidence of overtime authorization for all 25 dates selected for testing. According to OIT management, the department does not use overtime authorization forms for overtime approval. Instead, employees request overtime either verbally or by e-mail and enter the overtime hours worked into their timecards in the city's OnePhilly payroll system. The timecards, which can be either weekly or bi-weekly depending upon the type of employee, are electronically approved by supervisors at the end of the timecard period.</p> <p>The 25 instances with no evidence of overtime authorization pertained to five employees – three help desk/computer room shift supervisors, a computer console operator, and a network support specialist – who, during fiscal year 2021, earned a combined \$115,726 in overtime, which represented 24 percent of OIT's total overtime expenditures for the year.</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 [100421.01].</p>	<p>In certain areas, OIT quite frequently encounters an employee calling out for their shift due to illness and must ask the current shift employee to stay on shift. As this OT need arises in real time, there is no time (or need) for a formal, written request and approval process.</p> <p>Nonetheless, OIT will work to ensure that OT is properly approved in writing by supervisory personnel, even if after the fact.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> For the five employees tested, the department could not provide formal approved leave requests for all nine sample dates selected for testing. OIT management informed us that the department does not use written leave request forms. Instead, employees submit leave requests to supervisors either verbally, by text, or by e-mail. Employees enter the leave time used into their timecards in the OnePhilly payroll system, and 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 [100420.01].</p>	<p>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 supervisors that leave requests must be submitted via email (no verbal requests) and request and approval emails should be maintained.</p>
<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 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>

City of Philadelphia  
Office of the Mayor  
Findings and Recommendations  
Fiscal Year 2021

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, except for the city representative whose office was incorporated into the Mayor's Office in fiscal year 2021. 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 disabled and various minorities.

Name and address of department head  
Honorable James F. Kenney, Mayor  
Office of the Mayor  
City Hall, Room 215  
Philadelphia, PA 19107

Appropriations:  
General Fund \$6,563,592  
Grants Revenue Fund 175,000  
Total Appropriations \$6,738,592

Estimated Revenues:  
Non-Tax Revenue \$190,000

Number of Full Time Employees:  
Exempt 63

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Two checks outstanding more than a year, dating back to 2018, totaling \$79 were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in standard accounting procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the two checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [100521.01].</p>	<p>We will work to make sure that this issue is corrected.</p>



Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>A shortage still existed in the department's General petty cash account.</u> During our review of the department's petty cash, we noted that the Mayor's Office General petty cash account had a shortage of \$94, a condition that was reported in our fiscal year 2019 report. Most of the \$94 shortage was caused by a \$73 bank fee that had been listed on the fund reconciliation as a bill to be vouchered since December 2018. Regarding the remaining \$21 shortage, management asserted it was a result of a duplicate payment to a vendor and an overpayment to an employee for an authorized reimbursement.	Failure to properly reconcile the account increases the likelihood that receipts and invoices can be lost, complicating the reimbursement process. Failure to investigate shortages or overages on petty cash reconciliations increases the risk that missing funds will remain unrecovered or that overages will be misappropriated.	Management should address the identified causes of the shortage by including the bank fee on a petty cash reimbursement voucher and recovering the duplicate payment to the vendor and overpayment to the employee [100519.02].	We will work to make sure that the issues creating the shortage are corrected and the shortage is eliminated.
<u>Duties for preparing the petty cash bank and fund reconciliations were still not adequately segregated.</u> During our review of the department's petty cash funds, we noted that the custodian for the General and Office of Education petty cash accounts prepared all seven of the bank and fund reconciliations tested. <sup>1</sup>	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign a person other than the petty cash custodian to prepare bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [100518.02].	Due to staffing limitations, it is currently not possible to segregate the duties of the custodian and the preparer of petty cash fund and bank reconciliations. However, in the interim, we have assigned someone other than the petty cash custodian to write checks so that the custodian is only responsible for the reconciliations. Additionally, we have segregated the reconciliation review and have assigned someone other than the custodian to review and sign off on the reconciliations after they are completed.
<u>For the sixth year, we are reporting that monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> During our review of the department's General and Office of Education petty cash accounts, we noted that bank and fund reconciliations for July 2020 through January 2021 were untimely prepared, with all reconciliations for this time period not being completed until April 14, 2021. Also, the bank and fund reconciliations for February 2021 had not yet been completed as of April 14, 2021.	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 monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [100515.02].	We had issues receiving the bank statements from the bank in the mail. We have changed the way we receive the statements now and should be able to have the reconciliations done in a more timely manner.

<sup>1</sup> In January 2021, the Office of Education petty cash account was closed, and the authorized funds for the account were transferred to the Mayor's General petty cash account.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<b>PERSONAL SERVICES</b>  <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 three out of 15 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.
<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the department disbursed petty cash funds for refreshments at a meeting for which only city employees were present, and for t-shirts for a city event which should have been obtained through an existing purchase order. The unallowable expenditures totaled \$456.	The improper use of petty cash funds resulted in the expenditure of taxpayer dollars for purchases that are not permitted under the standard accounting procedures of the city's Finance Office.	Petty cash funds should only be disbursed for allowable purchases in accordance with standard accounting procedures of the city's Finance Office [100519.04].	Implemented.
<u>For the fourth consecutive year, we have reported that the petty cash fund was commingled with another fund.</u> During our review of the department's petty cash fund, we noted the Mayor's Office was operating its General petty cash account combined with that of the Office of Education when the accounts should be separate. Additionally, we also noted that the Mayor's Office was operating its Service to the Aging petty cash fund and the Senior Services petty cash fund through the same bank account.	Compromising the integrity of the petty cash fund increases the risk for undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should ensure petty cash funds are kept separate and not commingled with any other fund in accordance with standard accounting procedures of the city's Finance Office [100516.01].	In fiscal year 2021, requests were sent to the Finance Office for the following: (1) the closure of the Office of Education petty cash account and transfer of its authorized funds to the Mayor's General account, and (2) the closure of the Senior Services petty cash account and transfer of its authorized amount to the Services to the Aging fund. The closure of the Office of Education fund and transfer of its authorized funds occurred in January 2021 while the Senior Services

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
			(continued)  account was closed and its authorized amount transferred in April 2021. Given these actions, we consider this condition resolved. <sup>2</sup>
<u>For the fourth consecutive year, we have reported that a petty cash account was not properly closed.</u> During our review of the Services to the Aging's petty cash fund, we noted that the authorized funds in the amount of \$150 were nonexistent.	Failure to properly terminate a petty cash fund creates opportunities for improprieties to occur and increases the risk of misappropriation of the funds.	Management should properly terminate the petty cash account in accordance with standard accounting procedures of the city's Finance Office utilizing Exhibit A of SAP No. 4.1.1.d and monitor the progress of the request [100516.03].	In fiscal year 2021, a request was sent to the Finance Office to close the Senior Services petty cash fund (which had been operated in the same bank account as the Services to the Aging petty cash fund) and transfer its authorized amount to the Services to the Aging account. The closure of the Senior Services account and transfer of its authorized amount was completed in April 2021. Given this action, the condition is considered resolved.
<u>For the seventh consecutive year, we are reporting that payroll data entry and supervisory and executive reviews of payroll time record entries were not always segregated.</u> In our review of twenty pay periods during fiscal year 2019, we noted that the same individual performed all data entry, supervisory and executive reviews of payroll time records for the Mayor's Office of Education for all twenty pay periods. The same individual also performed the data entry, supervisory, and executive reviews of payroll records for 17 pay periods, and for one pay period performed the posting and executive review for the Mayor's Office.	Failing to segregate incompatible duties and combining multilevel approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.	Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [100512.02].	In mid-September 2020, a new electronic process for departmental payroll approvals was implemented in the city's OnePhilly payroll system. To evidence departments' review and approval of the bi-weekly payroll, the new electronic process required each department to have a supervisory level reviewer and then a different executive level approver examine on-screen timecards and electronically sign off by the payroll closing date. Our review of the Mayor's Office payroll approvals under the new process noted that the department complied with required procedures. We, therefore, consider this condition resolved.

<sup>2</sup> In fiscal year 2021, the Commission on Aging, along with its Services to the Aging fund, were transferred to the Office of the Managing Director so current year findings for the Services to the Aging fund are reported under the Office of the Managing Director's Findings and Recommendations section.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll data entries were still not adequately checked.</u> For the Office of the City Representative, 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].	When the Office of the City Representative was incorporated into the Office of the Mayor in fiscal year 2021, only the city representative, first deputy city representative, and assistant deputy city representative were retained. Instead of preparing paper attendance records, these three employees now enter their own attendance information directly into the city's OnePhilly payroll system for review and approval. This condition, therefore, is no longer applicable.
<u>Employee evaluations were still not recently performed.</u> For the Office of the City Representative's only civil service employee (who retired in May 2020), 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].	Only three exempt employees from the Office of the City Representative were retained when the department was incorporated into the Office of the Mayor in fiscal year 2021. Since annual employee evaluations are not required for exempt employees, this condition is no longer applicable.

City of Philadelphia  
Mayor's Office of Community Empowerment and Opportunity  
Findings and Recommendations  
Fiscal Year 2021

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. In fiscal year 2021, there was a \$15.6 million increase in CEO's Grants Revenue Fund appropriations and a \$15.4 million increase in estimated revenues from other governments due principally to \$7.6 million in supplemental Community Services Block Grant funding related to the Coronavirus Aid, Relief, and Economic Security Act as well as a \$7 million increase in federal funds for the WorkReady Program.

<u>Name and address of department head</u>	<u>Appropriations:</u>		<u>Estimated Revenues:</u>	
Mitchell Little	General Fund	\$ 45,000	Non-Tax Revenues	\$ 645,000
Executive Director	Grants Revenue Fund	<u>34,259,069</u>	From Other Governments	<u>33,614,000</u>
Mayor's Office of Community Empowerment and Opportunity	Total Appropriations	<u>\$34,304,069</u>	Total Estimated Revenues	<u>\$34,259,000</u>
1234 Market Street, 16 <sup>th</sup> Floor				
Philadelphia, PA 19107				

Number of Full Time Employees:  
Exempt 29

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<b>PETTY CASH</b>  <u>An overage existed in the department's petty cash account.</u> During our review of the department's petty cash account, we noted there was an overage of \$600. The overage occurred in April 2021 when the department placed stop payment orders on uncashed checks which had already been reimbursed through petty cash vouchers. As of December 16, 2021, the overage remained unresolved.	Failure to investigate and properly resolve shortages or overages on petty cash reconciliations increases the risk that missing funds will remain unrecovered or that overages will be misappropriated.	We recommend that management draw a petty cash check payable to the city for the overage amount and deposit that check with the Department of Revenue's Payment Processing Division [100821.01].	We agree with the auditor's observation and the following action will be taken. A check will be written prior to the next monthly reconciliation, payable to the city for the overage amount and deposited with the Department of Revenue's Payment Processing Division.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>Duties for reviewing the petty cash bank and fund reconciliations were not adequately segregated.</u> During our review of the department's petty cash account, we noted that the fund's custodian reviewed six of the 12 bank and fund reconciliations tested.	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign a person other than the petty cash custodian to review bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [100821.02].	We agree with the auditor's observation and the recommended actions are in process of being implemented. We have assigned a temporary executive staff member as custodian and the executive director will step in and review and approve petty cash and bank reconciliations, separating the duties from each other as well as from the accounting staff who voucher and reconcile the petty cash and bank statements. We have had some personnel changes within our Finance/Fiscal Department which prevented a separation of duties due to being understaffed. We are currently hiring personnel to fill in the open positions. Once the positions are filled, fiscal staff members will be reassigned permanently to the responsibilities, in accordance with standard accounting procedures of the city's Finance Office.

City of Philadelphia  
Office of the Managing Director  
Findings and Recommendations  
Fiscal Year 2021

Functions

The Office of the Managing Director (MDO) oversees, supports, and assists the city's 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. In fiscal year 2021, there was a \$181 million increase in estimated revenues from other governments and a \$182 million increase in grants revenue fund appropriations due to additional funding from the Coronavirus Aid, Relief, and Economic Security Act. The fiscal 2021 appropriations for the MDO, the Mural Arts Program, and the Office of Arts and Culture were combined for reporting purposes.

<u>Name and address of department head</u>	<u>Appropriations:</u>		<u>Estimated Revenues:</u>	
Tumar Alexander, Managing Director	General Fund	\$122,843,987	Non-Tax Revenue	\$ 9,418,000
Office of the Managing Director	Water Operating Fund	138,550	From Other Governments	<u>184,717,000</u>
1430 Municipal Services Building	Grants Revenue Fund	192,427,957	Total Estimated Revenues	<u>\$194,135,000</u>
1401 John F. Kennedy Boulevard	Capital Fund	<u>95,220,000</u>		
Philadelphia, PA 19102	Total Appropriations	<u>\$410,630,494</u>		
			<u>Number of Full Time Employees:</u>	
			Civil Service	42
			Exempt	<u>380</u>
			Total Employees	<u>422</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<b>PETTY CASH</b>  <u>A duplicate petty cash disbursement resulted in a shortage.</u> Our review of the department's petty cash records found that an employee was incorrectly reimbursed twice for the same \$196 purchase in April and May 2020. Because the department included both disbursements on petty cash reimbursement vouchers, the petty cash account was improperly reimbursed twice for the same purchase. Since the \$196 duplicate reimbursement was due back to the city's general fund, there was a resulting \$196 shortage in the department's petty cash fund. In April 2021, the	Failure to properly reconcile the account increases the likelihood that errors, such as the duplicate reimbursement, could occur without being detected. Failure to investigate shortages or overages on petty cash reconciliations increases the risk that missing funds will remain unrecovered or that overages will be misappropriated.	If overages or shortages exist, they should be evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [101021.01].	MDO agrees with this finding.  MDO has returned the \$150 to the city's general fund. We will move forward with returning the remaining \$46 and work with Finance to recover the resulting shortage.  MDO has created an excel workbook to track all payments disbursed from the petty cash account. This will allow the custodian to have the ability to quickly identify a possible double payment.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <p>employee remitted a check for \$150 of the \$196 duplicate reimbursement, and the department deposited the check into the petty cash bank account. However, as of March 17, 2022, the \$150 had not yet been returned to the city's general fund. Regarding the remaining \$46, department management stated that they were working to recover those funds from the employee, who had since retired.</p>			
<p><u>Monthly bank and fund reconciliations for the Services to Aging petty cash account lacked evidence of approval.</u> During our review of the department's Services to Aging petty cash account,<sup>1</sup> we noted that one of the eight bank reconciliations and four of the eight fund reconciliations tested did not have any indication that they were reviewed by the responsible person.</p>	<p>Failure to review bank and fund reconciliations increases the risk for undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a third person other than the custodian and preparer to review the reconciliation. This review should be evidenced by a signature in accordance with the standard accounting procedures of the city's Finance Office [101021.02].</p>	<p>MDO agrees with this finding.</p> <p>MDO's Administrative Services Unit (ASU) management will work with the staff at the Commission on Aging to identify a third party that will review and approve all bank and fund reconciliations.</p>
<p><u>A shortage existed in the Services to Aging petty cash account.</u> During our review of the department's petty cash, we noted a shortage of \$271 in the Services to Aging petty cash account. The department did not provide any documentation that would enable us to determine the cause of the shortage.</p>	<p>Failure to properly reconcile the account increases the likelihood that receipts and invoices can be lost, complicating the reimbursement process. Failure to investigate shortages or overages on petty cash reconciliations increases the risk that missing funds will remain unrecovered or that overages will be misappropriated.</p>	<p>If any overages or shortages exist, they should be evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [101021.03].</p>	<p>MDO agrees with this finding.</p> <p>MDO ASU management will work with the Commission on Aging to identify where the shortage exists, and will work with Finance to replenish the account.</p>

<sup>1</sup> Starting in fiscal year 2021, the Commission on Aging, which administers the Services to Aging petty cash account, now reports to the MDO. Previously, the Commission on Aging reported to the Office of the Mayor. Certain findings for the Services to Aging account, which were previously reported under the Office of the Mayor and remained unresolved in fiscal year 2021, are now reported under the MDO, and the corresponding recommendations were renumbered to reflect the change in reporting department. Previous findings for the Services to Aging account reported under recommendation numbers 100519.03, 100518.01, and 100518.02 are now reported under recommendation numbers 101021.03, 101021.04, and 101021.05, respectively.



Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>The Services to Aging petty cash fund has not been properly reconciled.</u> During our current review, we noted that monthly reconciliations were not accurately prepared for the Services to Aging petty cash account. The following items were erroneously recorded in the bank and fund reconciliations:</p> <ul style="list-style-type: none"> <li>The checkbook balance did not agree with the book balance in the bank reconciliation.</li> <li>The authorized amount recorded on the fund reconciliation did not agree with the authorized limit of the petty cash fund, which led to an omission of the previously reported \$271 shortage in the fund reconciliation.</li> </ul>	Failure to accurately reconcile the account increases the risk that errors or irregularities may occur and not be detected. In addition, the total petty cash balance may not be accounted for.	Management should ensure that monthly petty cash bank and fund reconciliations are properly prepared in accordance with standard accounting procedures of the city's Finance Office [101021.04].	<p>MDO agrees with this finding.</p> <p>MDO ASU management will work with the Commission on Aging to ensure monthly reconciliations are completed accurately in a timely manner.</p>
<p><u>Duties for preparing and reviewing the Services to Aging account's bank and fund reconciliations were not adequately segregated.</u> Out of the eight bank and fund reconciliations tested for the Services to Aging petty cash account, we found that the fund's custodian prepared one bank reconciliation and seven fund reconciliations and also reviewed seven bank reconciliations and one fund reconciliation.</p>	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign different employees other than the petty cash custodian to prepare and review bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [101021.05].	<p>MDO agrees with this finding.</p> <p>MDO ASU management will work with the Commission on Aging to identify two additional staff members that will complete and review the bank and fund reconciliations.</p> <p>These duties will no longer be performed by the petty cash custodian.</p>
<p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> During our review of the department's petty cash records, we noted that six of the eight bank and fund reconciliations tested were not performed in a timely manner.</p>	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 petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [101015.01].	MDO agrees with this finding and will continue to work on submitting petty cash bank and fund reconciliations in a timely manner.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>IMPREST FUNDS</b></p> <p><u>The MDO still did not prepare imprest account reconciliations and reimbursement vouchers in a timely manner.</u> Our review of the MDO's records for the Office of Emergency Management's (OEM's) imprest fund found that 11 of the 12 bank and fund reconciliations tested were not performed in a timely manner.<sup>2</sup> Also, the MDO did not timely submit the reimbursement payment vouchers for the OEM imprest fund. The last reimbursement voucher submitted was in May 2021 for expenditures through July 2020. From August 2020 through the end of fiscal year 2021, imprest fund expenditures totaled \$11,035. However, as of the end of fiscal year 2022, these expenditures had not been submitted for reimbursement.</p>	<p>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. Also, because a reimbursement voucher was not submitted for the \$11,035 in fiscal year 2021 expenditures, OEM expenditures recorded in the city's FAMIS accounting system for fiscal year 2021 were understated by \$11,035.</p>	<p>Management should ensure that:</p> <ul style="list-style-type: none"> <li>• Monthly bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [101020.01].</li> <li>• Reimbursement payment vouchers are submitted on a timely basis to ensure that the imprest fund is maintained at an adequate level and expenditures are recorded in the correct fiscal year [101020.02].</li> </ul>	<p>MDO agrees with this finding.</p> <p>The Administrative Services Unit (ASU) will continue to work with the Office of Emergency Management (OEM) to ensure timely preparation and submission of reconciliations and reimbursement vouchers.</p>
<p><u>Imprest fund payments of sales tax violated city policy.</u> 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 seven procurement card (p-card) transactions that included payment of sales tax totaling \$326.</p>	<p>The payment of sales tax on certain transactions resulted in taxpayer dollars being expended on disbursements unallowable per city policy.</p>	<p>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].</p>	<p>MDO agrees with this finding and will continue to counsel p-card users on using the city's tax-exempt certificate.</p>

<sup>2</sup> OEM is a division under the MDO. Our testing of the OEM imprest fund covered the period of October 2020 through September 2021.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>REVENUE RECEIPTS</b></p> <p><u>For the third consecutive year, we have reported that revenue receipts were not deposited in a timely manner.</u> Of the 22 revenue receipts tested during fiscal year 2021, we noted that 21 receipts, totaling \$145,582, were deposited over 15 days after payment was received.</p>	<p>Untimely deposits of revenue receipts result in lost interest income to the city and increase the risk of misappropriation. Also, revenue receipts could be recorded in the incorrect fiscal year. We noted that the checks pertaining to the 21 receipts totaling \$145,582, were received in fiscal year 2020 but not deposited and recorded in the city's accounting system until fiscal year 2021.</p>	<p>Management should minimize the length of time it takes to make a deposit with the city's Department of Revenue [101016.04].</p>	<p>MDO agrees with the finding and will continue to 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.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee overtime was still 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 nine employees for testing – five from the MDO and four from the Mural Arts Program, whose payroll and human resources functions are handled by the MDO. The MDO could not provide approved overtime authorization forms for 29 out of 33 selected overtime instances (all 25 instances for the MDO employees and four out of eight instances for the Mural Arts Program employees). The 25 instances pertained to five employees – four assistant managing directors from the MDO's Office of Emergency Management and a director of administration and management from the MDO's Community Life Improvement Program. These five employees earned a combined \$84,226 in overtime during fiscal year 2021, which represented 10 percent of MDO's total overtime expenditures for the year. The four instances for the Mural Arts Program pertained to two</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 [101020.04].</p>	<p>MDO will increase its efforts to approve all overtime by implementing a policy where all employee overtime requests and approvals will be made via email between the employee and the supervisor. The email request must include the following information:</p> <ul style="list-style-type: none"><li>• Date overtime will be performed</li><li>• Number of hours being requested</li><li>• Details of the work being performed</li></ul> <p>The same information will also be provided in the comments section of the employee's timecard that will be submitted in OnePhilly.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<b>(continued)</b>  employees – a scaffolding crew member and a senior landscape manager – who, during fiscal year 2021, earned a combined \$1,221 in overtime.			
<u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> For the five employees tested, the department was unable to provide formal approved leave requests for seven out of eight sample dates selected for testing. These seven dates with no documented approval of leave time pertained to four employees, one of whom used three consecutive vacation days.	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 [101020.05].	MDO has requested that all leave requests and approvals are made via email between the employee and supervisor.
<u>For the third consecutive year, we have reported that 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. Because of an overstatement of the employee's vacation leave balance, there was a resulting overpayment in the employee's terminal leave payment. Subsequently, the department failed to submit a Payroll Credit Advice (PCA) for the 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.	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 \$208. Regarding the prior year finding, the separated employee had been overpaid by \$4,704.	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>MDO has created an HR Transactions Report, which is distributed to the HR staff, to account for all transactions (new hires, separations and leave of absences) that have taken place during the pay period.</p> <p>Payroll staff utilizes this report to ensure that are no overpayments made on payroll and terminal leave payments.</p> <p>MDO will submit a PCA to address the fiscal year 2019 finding related to a terminal leave overpayment.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Monthly petty cash bank reconciliations are not properly prepared.</u> We noted an instance where the amount listed on the bank reconciliation did not accurately reflect the amount listed on the department's accounting records.	Failure to properly perform bank reconciliations 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 bank reconciliations are prepared in accordance with standard accounting procedures of the city's Finance Office [101017.01].	Implemented.
<u>Petty cash funds have been disbursed for unallowable purchases.</u> We previously reported that the department disbursed \$41 for a parking violation that was rejected for reimbursement by the city's Finance Office as an unallowable purchase. Parking violations are the responsibility of the employee. If the department has reason to believe that the ticket was issued in error or that business-related mitigating circumstances exist, requests may be made to the Bureau of Administration Adjudication (BAA) for administrative review per the Managing Director's Directive 64: City Vehicle Usage, Assignment, Parking Policies and Procedures.	Petty cash funds were used for unallowable expenditures.	We recommend that management request a reduction of its petty cash fund for the \$41 unallowable parking violation by completing form S.A.P. 4.1.1.d Exhibit A [101015.03].	Implemented.

City of Philadelphia  
Police Department  
Findings and Recommendations  
Fiscal Year 2021

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.

<u>Name and address of department head</u>	<u>Appropriations:</u>	<u>Estimated Revenues:</u>
Danielle Outlaw, Commissioner	General Fund \$727,007,734	Non-Tax Revenue \$ 5,350,000
Police Department	Grants Revenue Fund 15,364,778	From Other Governments 18,364,000
Police Headquarters	Aviation Fund 14,863,203	Total Estimated Revenues <u>\$23,714,000</u>
400 North Broad Street	Capital Fund <u>61,960,000</u>	
Philadelphia, PA 19130	Total Appropriations <u>\$819,195,715</u>	
		<u>Number of Full Time Employees:</u>
		Civil Service 7,003
		Exempt 15
		Total Employees <u>7,018</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>City sick leave policy was still not properly enforced.</u> Out of 34 civil service employees tested (26 uniform and eight civilian), we noted that the Police Department did not always enforce the city's sick leave policy, as follows:</p> <ul style="list-style-type: none"> <li>Two civilian employees, who each used over eight days of undocumented sick leave during calendar year 2020, were not placed on the Excessive Use of Sick Leave List. These two employees were not penalized according to the city's Sick Leave Rules and Regulations, and one continued to use and be paid for uncertified sick leave in violation of this policy. Consequently, they were paid \$7,196 in sick leave benefits that</li> </ul>	<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 directives follow the city's sick leave policy. Within the department, the unit's commanding officer is responsible for the enforcement of this policy. The PPD monitors the enforcement of this policy through the Standards and Accountability Division. This division performs audits to ensure commanding officers are following and enforcing the sick leave policies. The department acknowledges this issue and will further enforce the policy.</p> <p>OnePhilly implemented the automated sick abuse notification functionality during fiscal year 2022, which will enable better enforcement of the city's sick leave policy.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>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.</p> <ul style="list-style-type: none"> <li>Five civilian employees, who each used five or more undocumented sick days during calendar year 2020, did not receive a fifth-day warning letter. Also, the two civilian employees who used over eight undocumented sick days did not receive an eighth-day letter notifying them of placement on the Excessive Use of Sick Leave List.</li> <li>For three of the eight civilian employees tested, the department was unable to provide the supporting medical certificates for seven of 17 sick leave occasions reported as certified in the city's online payroll system.</li> </ul>			
<p><u>Employee evaluations were still not recently performed.</u> The department was unable to provide recent employee evaluations for 25 of the 29 civil service employees selected for testing. Additionally, we noted that one employee's evaluation form lacked the required signature of 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>It is the Police Department's policy that annual employee evaluations are completed in the time required. The department acknowledges this issue and will implement procedures to ensure the timely completion of employee evaluations including signatures of supervisory personnel.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><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.</p>	<p>Regarding the prior year finding, the separated employee was erroneously overpaid by \$919.</p>	<p>Submit a PCA to the city's Finance Office to recover the overpayment to the separated employee [101119.02].</p>	<p>The Police Department performs a five-year audit for all employees based on their separation date to ensure the accuracy of the employees' accrued time balances to be paid on their final (terminal leave) payment. This audit and a cover sheet, detailing payment calculations and any necessary deductions/adjustments the City Controller needs to make, and the report of separation are sent to the City Controller. The City Controller checks the audit and calculations for accuracy to determine the final payment.</p> <p><b>[Controller's Office Evaluation of Department's Response:</b> The department's response did not address the reported issue, which was that our follow-up of the fiscal year 2019 finding regarding an overpayment to a separated employee found no evidence that the department had submitted a PCA to recover the overpayment. Our inquiry of the Finance Office's Central Payroll Division in March 2022 disclosed that they did not have a record of the department submitting a PCA for the employee. In August 2022, Police Department personnel informed us that they were unable to locate a PCA for the employee.]</p>
<p><u>For the third consecutive year, we are reporting that documentation supporting and authorizing employee leave time was not routinely prepared.</u> For the seven employees tested, the department was unable to provide formal approved leave requests for four out of 21 sample dates selected for testing. These four dates with no documented approval of leave time pertained to two employees, one of whom used three consecutive vacation days.</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 [101119.03].</p>	<p>The Police Department's policy is the use of any leave time must be approved by a supervisor. Within the Police Department, the unit's commanding officer sets policy on approval of all leave time, and leave time approvals are conducted via email or written memo in line with the department's policy. The department will continue to support adherence to the city's standard accounting procedures.</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 authorized.</u> Overtime was paid without evidence that management had approved the number of hours or the reasons supporting the overtime requests. Out of 56 overtime dates selected for testing, the department could not provide approved overtime authorization forms for 13 dates, which pertained to three police officers. During fiscal year 2021, the three police officers earned a combined total of \$80,757 in 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 [101117.02].</p>	<p>Supervisory approval is required on all overtime “real time” as it is accrued. The PPD monitors this policy through the Standards and Accountability Division performing audits to ensure the approvals are occurring. The department will implement tighter controls to alleviate this issue.</p>
<p><u>For the eighth 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 30 Police Department employees found 58 instances where DAR entries were not approved by a unit supervisor. We also noted 95 instances where Police Department employees who entered the attendance information into the DAR system also approved it. Finally, we found 20 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 not certified and DAR entries entered and 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 the police payroll approval Directive 32 is sent to all commanders annually. This Police Directive does require segregating duties of entering and certifying DARs.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<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 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>Implemented.</p>
<p><u>The department did not maintain proper documentation for the removal of disposed personal property items.</u> We noted that the Police Department failed to provide the Procurement Department with the proper documentation supporting the disposal of personal property items. In addition to the items cited in our previous comment (Recommendation No. 101119.01), we noted two disposed items valued at \$2,498 that incorrectly remained on the city’s personal property database.</p>	<p>Failure to provide the proper documentation for disposed personal property items results in an inaccurate valuation of the department’s assets in the city’s personal property database.</p>	<p>Management should ensure that disposed items are supported with the proper documentation and sent to the Procurement Department, so the items can be removed from the personal property database [101118.03].</p>	<p>Implemented.</p>

City of Philadelphia  
Department of Streets  
Findings and Recommendations  
Fiscal Year 2021

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. In fiscal year 2021, there was an \$86 million increase in the Capital Fund budget, consisting principally of \$28.6 million for bridge reconstruction and improvements and \$43.3 million for improvements to city highways through the Federal Aid Highway Program.

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

Appropriations:

General Fund	\$153,022,355
County Liquid Fuels Tax Fund	10,873,000
Special Gasoline Tax Fund	39,929,000
Grants Revenue Fund	37,219,000
Capital Fund	<u>626,955,000</u>
Total Appropriations	<u>\$867,998,355</u>

Estimated Revenues:

Non-Tax Revenue	\$ 28,020,000
From Other Governments	<u>75,318,000</u>
Total Estimated Revenues	<u>\$103,338,000</u>

Number of Full Time Employees:

Civil Service	1,923
Exempt	<u>18</u>
Total Employees	<u>1,941</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>Monthly bank reconciliations lacked evidence of approval.</u> During our review of the department's petty cash fund, we noted that three of the eight bank reconciliations tested did not have any indication that they were reviewed by the responsible person.</p>	<p>Failure to review reconciliations increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a third person other than the custodian and preparer to review the reconciliation. This review should be evidenced by a signature in accordance with the standard accounting procedures of the city's Finance Office [101221.01].</p>	<p>Streets was informed of this issue by the City Controller's Office during early calendar year 2021. As a result, beginning in May 2021, the Department has ensured reconciliations are signed by a relevant third party and submitted properly.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Checks outstanding more than a year, totaling \$597, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order for each long outstanding check and draw a transfer check payable to the City of Philadelphia - Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [101221.02].</p>	<p>Streets has already implemented a new process that reflects the City Controller's recommended findings on this issue. This was implemented July 2022.</p>
<p><b>PERSONAL PROPERTY</b></p> <p><u>For the third consecutive year, we are reporting 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 personal property database, we noted 184 items valued at \$968,849 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. Streets processed all three-year and over "CNL" items valued at under \$5,000 during FY2021, and multiple items valued above \$5,000. It appears additional items valued over \$5,000 need to be addressed. The department will continue to work on ensuring all remaining eligible CNL items are properly removed from inventory.</p> <p><b>[Controller's Office Evaluation of Department's Response:</b> Regarding the department's statement that it processed all three-</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
			<p><b>(continued)</b></p> <p>year and over “CNL” items valued at under \$5,000 during fiscal year 2021, the 184 “cannot locate” items valued at \$968,849 included 130 items that all had individual values under \$5,000 and totaled \$179,510.]</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>For the third consecutive year, we are reporting that documentation supporting and authorizing employee leave time was not routinely prepared.</u> For five employees tested, leave requests were not properly prepared for 16 out of 19 sampled dates, as follows:</p> <ul style="list-style-type: none"> <li>• For four employees, the department was unable to provide approved leave requests for 13 dates.</li> <li>• For three leave instances pertaining to one employee, although the department provided an e-mail documenting that the supervisor approved the employee’s leave, the actual amount of leave taken by the employee exceeded the leave hours approved.</li> </ul>	<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 will review this matter further and establish more appropriate controls to track approved leave documentation going forward.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<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 enforce the city's sick leave policy resulted in its employees being improperly paid a total of \$84,356, broken down as follows:</p> <ul style="list-style-type: none"><li>Two of the five civil service employees tested used eight or more days of undocumented sick leave during calendar year 2020, but they were not placed on the Excessive Use of Sick Leave List. One of these two employees was not penalized according to the city's Sick Leave Rules and Regulations and continued to use and be paid for uncertified sick leave in violation of this policy. Consequently, the employee was paid \$5,267 in sick leave benefits that he would not have been entitled to had the department properly enforced the city's sick leave policy. The department should have counseled this employee 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 sampled employees did not receive a fifth-day warning letter, and the two employees who used eight or more days of undocumented sick leave did not receive an eighth-day letter notifying them of placement on the Excessive Use of Sick Leave List. Also,</li></ul>	<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.<sup>1</sup></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 OnePhilly 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 OnePhilly 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. It is notable that all of the City Controller's cited evidence on this finding concerns calendar year 2020 when OnePhilly did not track sick leave abuse.</p>

<sup>1</sup> According to our analysis of uncertified sick leave data from the city's OnePhilly payroll system, there were 313 employees who used 8 or more undocumented sick days during calendar year 2020. Our analysis excluded undocumented sick leave taken from March 18, 2020 through September 27, 2020 since the city did not require medical certificates for sick leave used during that period due to the COVID-19 pandemic.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <p>for the five employees tested, the department was unable to provide the supporting medical certificates for two of eight sick leave occasions reported as certified in the city's online payroll system. Lastly, the department was unable to provide supporting documentation for five days of Family Medical Leave Act (FMLA) sick leave taken by one of these five employees during calendar year 2020.</p> <ul style="list-style-type: none"> <li>• Our analysis of calendar year 2020 uncertified sick leave data from the city's OnePhilly payroll system disclosed an additional 188 civil service employees who were improperly paid a total of \$79,089 for uncertified sick leave used after the eighth undocumented sick day.</li> </ul>			
<p><u>For the tenth 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 – a bridge maintenance superintendent, a highway operations manager, two waste collection district supervisors, and a street repair supervisor – earned a combined total of \$244,524 in overtime during fiscal year 2021.</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><b>(continued)</b></p> <p><b>[Controller's Office Evaluation of Department's Response:</b> 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 the authorization for overtime or compensatory time shall be approved by a unit supervisor. A verbal approval or supervisory approval for overtime on timesheets after the overtime was performed 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>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<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>Implemented.</p>



CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Monthly petty cash bank reconciliations have not been performed in a timely manner.</u> During our review of the department's petty cash records, we noted that three of the eight bank reconciliations selected for testing were not prepared timely.	Failure to timely perform monthly bank reconciliations 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 monthly petty cash bank reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [101219.01].	Implemented.
<u>A shortage existed in the department's petty cash account.</u> During our review of the department's petty cash, we noted that the petty cash fund had an unexplained shortage of \$508. The department was unable to provide any documentation that would enable us to determine the cause of the shortage.	Failure to properly reconcile the petty cash account increases the likelihood that receipts and invoices can be lost, complicating the reimbursement process. Failure to investigate shortages or overages on petty cash reconciliations increases the risk that missing funds will remain unrecovered or that overages will be misappropriated.	If any overages or shortages exist, they should be evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [101219.02].	Implemented.
<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.	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 [101218.02].	Implemented.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>The department's petty cash fund has not been properly reconciled.</u> During our review of the department's petty cash records, we noted that the monthly bank reconciliations were not properly prepared. The following items were erroneously recorded in the bank reconciliation:</p> <ul style="list-style-type: none"><li>• The beginning book balance did not agree to the checkbook beginning balance.</li><li>• A voided check in the amount of \$131, could not be substantiated by supporting documentation and was not recorded in the checkbook for that month.</li></ul>	<p>Failure to properly reconcile the account increases the likelihood that receipts and invoices can be lost, complicating the reimbursement process. In addition, there is an increased risk that errors or irregularities may occur and not be detected and that the total petty cash balance may not be accounted for.</p>	<p>Management should ensure that the petty cash fund is properly reconciled in accordance with standard accounting procedures of the city's Finance Office [101217.01].</p>	<p>Implemented.</p>
<p><u>For the fourth consecutive year, we have reported that the use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the department disbursed petty cash funds for refreshments at meetings where only city employees were present. The unallowable expenditures totaled \$2,001.</p>	<p>The improper use of petty cash funds resulted in the expenditure of taxpayer dollars for a purchase which is not permitted under the standard accounting procedures of the city's Finance Office.</p>	<p>Petty cash funds should only be disbursed for allowable purchases in accordance with standard accounting procedures of the city's Finance Office [101216.03].</p>	<p>Implemented.</p>

City of Philadelphia  
Fire Department  
Findings and Recommendations  
Fiscal Year 2021

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.

Name and address of department head

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

Appropriations:

General Fund	\$315,056,258
Grants Revenue Fund	31,051,733
Aviation Fund	8,356,892
Capital Fund	<u>12,861,000</u>
Total Appropriations	<u>\$367,325,883</u>

Estimated Revenues:

Non-Tax Revenue	\$42,203,000
From Other Governments	<u>30,799,000</u>
Total Estimated Revenues	<u>\$73,002,000</u>

Number of Full Time

Employees:

Civil Service	2,743
Exempt	<u>12</u>
Total Employees	<u>2,755</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Two checks outstanding more than a year, totaling \$88, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. We noted that the department placed a stop payment order for each check in April 2021; however, as of June 30, 2021, the monies for the two unclaimed checks remained in the department's petty cash account. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management draw a transfer check payable to the City of Philadelphia -Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [101321.01].</p>	<p>The PFD is aware of the city's policy and procedures relating to the Unclaimed Monies Fund. However, due to changes in personnel and the impact of the COVID-19 pandemic on staff and work, the PFD was not able to deposit funds in a timely fashion.</p> <p>In April of 2022, the PFD did process a deposit into the Fund. Currently, the PFD complies with Standard Accounting Procedure (SAP) No.4.1.2 Unclaimed Monies.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>For the third consecutive year, we have reported that payroll data entries for separated employees were not always checked.</u> The final payroll check was not properly calculated for one of the five employees tested. The employee separated while possessing a negative vacation balance at the time of 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 due to an inaccurate final paycheck 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 \$424. Regarding the prior year finding, the separated employee had been overpaid by \$1,002.</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>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, the admin. technicians (supervisors) review the payroll entries. There are instances when the roll call sheet will not align with the time entry and a post period update is needed. PFD makes every effort to complete any post period updates in a timely manner.</p> <p>PFD disagrees with the assessment that data entries for separated employees are not always checked. PFD has a system of checks &amp; balances in place to ensure review by two separate work groups (payroll &amp; HR) with final review being performed upon approval. Employees having negative time balances may have the time taken from another accrued leave balance, therefore, eliminating the need for a PCA. The terminal leave unit needs to be notified of each occurrence via email. If no accrued time is available to be drawn from, then a PCA is sent to pension from PFD HR to remove the monies from the employee's pension.</p> <p><b>[Controller's Office Evaluation of Department's Response:</b> Regarding the current year finding where the employee separated while possessing a negative vacation balance at termination, the employee did not</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
			<p><b>(continued)</b></p> <p>have adequate accrued leave to cover the negative balance. However, with regard to that employee and the separated employee for the prior year finding, our inquiry of the Finance Office's Central Payroll Division in March 2022 disclosed that they did not have a record of the PFD submitting a PCA for either employee.]</p>
<p><u>For the fourth consecutive year, we have reported 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 \$170,211, broken down as follows:</p> <ul style="list-style-type: none"> <li>None of the five civil service employees tested, who each used over eight days of undocumented sick leave during calendar year 2020, 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 \$41,477 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</li> </ul>	<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.<sup>1</sup></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 [101318.04].</p>	<p>With the launch of OnePhilly effective March 25, 2019, PFD managers and supervisors were required to attempt tracking uncertified sick leave outside the system. In a department of nearly 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>OnePhilly has recently implemented an automated sick abuse tracking mechanism which took effect in January 2022. With this system in place, PFD receives weekly automated warning and sick abuse letters. These letters are checked by the payroll clerks for accuracy and then forwarded to the payroll supervisor for processing. PFD is committed to reviewing its sick abuse monitoring to determine strategies to improve</p>

<sup>1</sup> According to our analysis of uncertified sick leave data from the city's OnePhilly payroll system, there were 204 employees who used 8 or more undocumented sick days during calendar year 2020. Our analysis excluded undocumented sick leave taken from March 18, 2020 through September 27, 2020 since the city did not require medical certificates for sick leave used during that period due to the COVID-19 pandemic.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <p>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 received a fifth-day warning letter or an eighth-day letter notifying them of placement on the Excessive Use of Sick Leave List. Also, for two of these five employees, the department was unable to provide the supporting medical certificates for all four sick leave occasions reported as certified in the city's online payroll system. Lastly, the department was unable to provide supporting documentation for 11 days of Family Medical Leave Act (FMLA) sick leave taken by one of these five employees during calendar year 2020.</p> <ul style="list-style-type: none"> <li>• Our analysis of calendar year 2020 uncertified sick leave data from the city's OnePhilly payroll system disclosed an additional 95 civil service employees who were improperly paid a total of \$128,734 for uncertified sick leave used after the eighth undocumented sick day.</li> </ul>			<p><b>(continued)</b></p> <p>tracking, compliance, documentation, and follow-up.</p> <p>Please note that no dates were provided as part of the audit response request so PFD could not review specifically to see if any notes were received for that date. Please be advised that sick notes are not accepted after 6 weeks.</p> <p><b>[Controller's Office Evaluation of Department's Response:</b> Regarding the department's statement that "One Philly has recently implemented an automated sick abuse tracking mechanism which took effect in January 2022," we observed that the OnePhilly system's automation of sick abuse monitoring went live in March 2022 and was retroactively adjusted to be effective as of January 1, 2022.</p> <p>Also, the department stated that "no dates were provided as part of the audit response request so PFD could not review specifically to see if any notes were received for that date." On September 22, 2022, in response to the PFD's request for findings detail to assist them in preparing their audit response, we provided the PFD with the names of the employees and the specific dates for which the PFD was unable to provide the supporting medical certificates and FMLA documentation.]</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the ninth consecutive year, we are reporting that employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for three out of 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 [101312.01].</p>	<p>Performance Evaluations (PE) are due annually in November for the 3,000+ employees. Preparation for the annual PEs is completed through supervisory personnel and must be submitted to PFD HR. Due to the number of PEs that need to be submitted, uploaded, reviewed, approved, and sent to the Office of Human Resources (OHR), it is done continuously until it is completed for each year. Of the three employees in question, one was submitted and went through the entire approval process on December 13, 2021; the other two were submitted and went through the entire approval process on April 5, 2022. Looking to the future, the PFD is implementing a process to ensure all PEs are submitted and go through the entire approval cycle. Additionally, PFD committed 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 OnePhilly.</p> <p><b>[Controller's Office Evaluation of Department's Response:</b> Regarding the three employees for which the PFD did not provide recent employee evaluations, the PFD stated "one was submitted and went through the entire approval process on December 13, 2021; the other two were submitted and went through the entire approval process on April 5, 2022." Our review of the employee evaluations</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
			<p><b>(continued)</b></p> <p>that were added to the OnePhilly system for the one employee on December 13, 2021 and the other two employees on April 5, 2022 disclosed that they were the employees' evaluations for calendar year 2021 prepared in October 2021. For these three employees, we did not observe any evaluations for calendar year 2020.]</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Payroll data entries were not adequately checked.</u> We noted that employee attendance records did not agree with 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>Implemented.</p>



CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<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>Implemented.</p>
<p><u>Payroll data entry and supervisory reviews of payroll time record entries were not always segregated.</u> For two of the 20 pay periods tested in fiscal year 2019, the same person performed the data entry and supervisory level approvals of the department’s time records. For another pay period, the same person performed both the supervisory and executive level approvals.</p>	<p>Failure to segregate incompatible duties and combining multilevel approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [101317.01].</p>	<p>In mid-September 2020, a new electronic process for departmental payroll approvals was implemented in the city’s OnePhilly payroll system. To evidence departments’ review and approval of the bi-weekly payroll, the new electronic process required each department to have a supervisory level reviewer and then a different executive level approver examine on-screen timecards and electronically sign off by the payroll closing date. Our review of the Fire Department’s payroll approvals under the new process noted that the department complied with required procedures. We, therefore, consider this condition resolved.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Petty cash fund was commingled with another fund.</u> The department's Headquarters' and Fire Academy's petty cash accounts are operated as one account. Disbursements from both accounts are written from the same checkbook, and one fund reconciliation is completed for the combined amount of the two accounts.	Compromising the integrity of the fund increases the risk for undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should ensure petty cash funds are kept separate and not commingled with any other fund in accordance with standard accounting procedures of the city's Finance Office [101316.05].	Implemented.

City of Philadelphia  
Department of Public Health\*  
Findings and Recommendations  
Fiscal Year 2021

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 2021, there was a \$43.7 million increase in estimated non-tax revenue primarily due to the realignment of the Philadelphia Nursing Home's reimbursements through the managed care provider rather than directly from the state and federal reimbursements.

Name and address of department head

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

Appropriations:

General Fund	\$159,352,985
Grants Revenue Fund	190,773,209
Acute Care Hospital Fund	318,527,592
Capital Fund	<u>62,165,000</u>
Total Appropriations	<u>\$730,818,786</u>

Estimated Revenues:

Non-Tax Revenue	\$ 72,145,000
From Other Governments	<u>231,869,000</u>
Total Estimated Revenues	<u>\$304,014,000</u>

Number of Full Time Employees:

Civil Service	865
Exempt	<u>33</u>
Total Employees	<u>898</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>IMPREST FUNDS</b></p> <p><u>The DPH's use of its COVID-19 procurement card (p-card) violated city policy when it split purchases to evade the established spending limit.</u> The DPH circumvented the \$5,000 single purchase limit on its COVID-19 imprest fund's p-card, as established by the standard accounting procedure (SAP) No. 4.1.1.e (Rev. 1)-A4. Our review noted that, in September and October 2021, the DPH used its p-card to pay one vendor a total of \$26,558, which consisted of several invoices, including one for \$14,242 and</p>	<p>Improperly using p-cards for purchases above the spending limit reduces the city's purchasing power to obtain the best value for goods and services. In addition, there are expenditure processing controls in place for purchases above specific amounts to reduce the risk of unauthorized or unnecessary payments.</p>	<p>We recommend that management refrain from splitting invoices to circumvent the p-card's single purchase limit, in accordance with the standard accounting procedures of the city's Finance Office [101421.01].</p>	<p>We acknowledge the Controller's Office finding and will adhere to the daily purchase limit in line with the standard accounting procedures.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <p>another for \$8,210.<sup>1</sup> The \$26,558 purchase total was split into seven p-card transactions of \$5,000 or less. While SAP No. 4.1.1.e (Rev.1)-A4 states that single p-card purchases greater than \$5,000 may be allowed after justification is provided and authorization is obtained from the director of finance, DPH management indicated that such authorization was not obtained.</p>			
<p><u>Imprest fund payments of sales tax violated city policy.</u> 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 DPH's COVID-19 imprest fund noted 12 p-card transactions that included payment of sales tax totaling \$446.</p>	<p>The payment of sales tax on certain transactions resulted in taxpayer dollars being expended on disbursements unallowable per city policy.</p>	<p>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 [101420.03].</p>	<p>Health will continue to ensure that sales tax is removed from purchases; however, due to urgency, on certain occasions there has been an oversight.</p> <p>When an oversight occurs and when possible, Health will contact the vendors to retroactively remove taxes from transactions.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> Leave requests were not properly prepared for five out of 14 dates selected for testing. Specifically, we noted the following:</p> <ul style="list-style-type: none"> <li>The leave requests for three days were not prepared and approved by a supervisor until after we requested them.</li> </ul>	<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 [101421.02].</p>	<p>Due to the pandemic, varying remote work schedules, and Payroll staffing shortages (due to Covid-related absences) - leave requests and updated leave slips have been difficult to acquire timely and routinely.</p> <p>Effective, FY23 PDPH has been authorized to use (and submit via email)</p>

<sup>1</sup> Our review of the DPH's COVID-19 imprest fund's p-card activity covered the period from October 1, 2020 through September 30, 2021. Although the \$26,558 purchase was authorized by the Health Commissioner in September 2021, some of the related p-card transactions did not post until October 2021.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <ul style="list-style-type: none"> <li>For one date, the leave time used by the employee exceeded the leave hours approved.</li> <li>The department was unable to provide the leave request for one day.</li> </ul>			<p><b>(continued)</b></p> <p>electronic leave request slips and overtime/compensatory time authorization slips. In addition, the Payroll Unit is fully staffed, and training has been provided to ensure compliance with the city's policies and procedures.</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 enforce the city's sick leave policy resulted in its employees being improperly paid a total of \$9,609, broken down as follows:</p> <ul style="list-style-type: none"> <li>Two of the five civil service employees tested, who each used over eight days of undocumented sick leave during calendar year 2020, were not placed on the Excessive Use of Sick Leave List or penalized according to the city's Sick Leave Rules and Regulations. These two employees continued to use and be paid for both certified and uncertified sick leave in violation of this policy. Consequently, they were paid \$7,918 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</li> </ul>	<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.<sup>2</sup></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>During FY22, the OnePhilly automated notification enhancement was implemented, which will enable PDPH to better enforce the city's sick leave policy.</p> <p>New procedures have been implemented for PDPH Payroll staff to ensure filing of the signed/dated acknowledgements for each employee notified.</p>

<sup>2</sup> According to our analysis of uncertified sick leave data from the city's OnePhilly payroll system, there were 15 employees who used 8 or more undocumented sick days during calendar year 2020. Our analysis excluded undocumented sick leave taken from March 18, 2020 through September 27, 2020 since the city did not require medical certificates for sick leave used during that period due to the COVID-19 pandemic.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <p>occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, three sampled employees did not receive a fifth-day warning letter, and the two employees who used eight or more days of undocumented sick leave 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 seven of 15 sick leave occasions reported as certified in the city's online payroll system.</p> <ul style="list-style-type: none"> <li>Our analysis of calendar year 2020 uncertified sick leave data from the city's OnePhilly payroll system disclosed an additional five civil service employees who were improperly paid a total of \$1,691 for uncertified sick leave used after the eighth undocumented sick day.</li> </ul>			
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<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><sup>3</sup> 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-cards to the DPH. The DPH's original request stated supplies or services that needed to be purchased quickly included, but were</p>	<p>The questionable expenditures noted did not always appear to be the most prudent or cost-effective use of taxpayer dollars. Consequently, there is an increased risk that certain p-card expenditures may not be eligible to be reimbursed by federal Coronavirus Relief Funds.</p>	<p>To improve controls over its p-card expenditures, the DPH management should ensure that:</p> <ul style="list-style-type: none"> <li>P-cards are only used for allowable purchases in accordance with the requesting document and the standard accounting procedures of the Finance Office [101420.01].</li> </ul>	<p>Implemented.</p>

<sup>3</sup> The prior year finding presented is a shortened version of the original finding, which appeared in the fiscal year 2020 Annual Auditor's Report on Philadelphia City Departments.

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><b>(continued)</b></p> <p>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.</p> <p>We reviewed the DPH's p-card charges for its COVID-19 imprest fund 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 accommodations for staff.</p> <p>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.</p> <p>Our analysis of the Uber trip detail found that most Uber rides for city employees (1,065 of 1,371 rides,</p>		<p><b>(continued)</b></p> <ul style="list-style-type: none"> <li>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].</li> </ul> <p>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:</p> <ul style="list-style-type: none"> <li>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].</li> <li>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].</li> </ul>	<p><b>(continued)</b></p> <p>Implemented.</p>

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><b>(continued)</b></p> <p>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. 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.</p> <p>Additionally, while the Finance Office's standard accounting procedures (SAPs) required the DPH to maintain supporting invoices and receipts for all p-card purchases and submit them as part of the reimbursement voucher package, 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.</p>			



CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>The DPH did not prepare imprest account reconciliations and reimbursement vouchers in a timely manner.</u> 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.</p>	<p>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.</p>	<p>Management should ensure that:</p> <ul style="list-style-type: none"> <li>• Monthly fund and bank reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [101420.06].</li> <li>• Reimbursement payment vouchers are submitted on a timely basis to ensure that the imprest fund is maintained at an adequate level [101420.07].</li> </ul>	<p>Implemented.</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>The DPH's employees now enter their own attendance information directly into the city's OnePhilly payroll system for review and approval. Consequently, the department no longer requires paper attendance records for its employees. This condition, therefore, is no longer applicable.</p>
<p><u>Documentation supporting personnel time in the field was incomplete.</u> The department was unable to provide us with field location sheets for employees selected for testing who worked outside of the office.</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 destination sheets when performing work duties outside the office [101419.07].</p>	<p>Implemented.</p>

City of Philadelphia  
Department of Behavioral Health and Intellectual disAbility Services  
Findings and Recommendations  
Fiscal Year 2021

Functions

The Department of Behavioral Health and Intellectual disAbility 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.

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

Appropriations:  
General Fund \$ 15,477,402  
Grants Revenue Fund 294,453,266  
Health Revenue Fund 1,300,000,000  
Total Appropriations \$1,609,930,668

Estimated Revenues:  
Non-Tax Revenue \$ 5,000,000  
From Other Governments 1,589,453,000  
Total Estimated Revenues \$1,594,453,000

Number of Full Time Employees:  
Civil Service 225  
Exempt 28  
Total Employees 253

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<b>PERSONAL SERVICES</b>  <u>Employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for two 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 employee evaluations for all civil service employees by supervisory personnel [101521.01].	The department has worked assiduously with supervisors educating them regarding the importance and requirement for performance evaluations. This information is communicated through multiple channels including but not limited to, direct emails to staff (every week in August preceding our internal PE deadline), DBHIDS Intranet, reminders

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
			<p><b>(continued)</b></p> <p>in staff and executive meetings. HR will increase communication next year by utilizing additional internal methods such as PULSE communication announcement. In addition, the department sends out reminders regarding the due date for performance evaluations. We aim for 100 percent compliance and are working towards that goal.</p>
<p><u>Payroll data entries for separated employees were still not always checked.</u> Out of five separated employees selected for testing, we noted one employee separated while possessing negative sick and compensatory leave balances. Subsequently, the department failed to submit a Payroll Credit Advice (PCA) for the resulting overpayment. Additionally, our follow-up of the fiscal year 2020 finding where two separated employees remained on the city's payroll and were erroneously paid after their termination date found that the department had not yet submitted PCAs to recover the overpayments.</p>	<p>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 overpaid by \$1,100. Regarding the prior year finding, the two separated employees were overpaid by a total of \$11,038.</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 any overpayments [101520.01].</p>	<p>Department has mandated that payroll staff review payroll entries on a weekly basis to ensure appropriateness and accuracy of time records. The department has dedicated additional staff resources to manage the separation process and the PCA process. As a staff development opportunity, HR conducted a staff competency assessment and re-aligned team functions based on the skillsets identified in the results of the assessment. We also provided training and support to HR personnel across HR functions. This strategy is having an impact in the right direction.</p>
<p><u>Documentation supporting personnel time in the field was still incomplete.</u> The department was still unable to provide us with evidence that there was a formally documented procedure to track personnel time in the field. Our discussion with DBHIDS human resources management disclosed that, due to the COVID-19 pandemic, employees are not required to fill out field location sheets. Instead, when out in the field, employees are instructed to send a text message or e-mail to their supervisors at the beginning and end of the day.</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>Establish a formal procedure for tracking personnel time in the field, which includes call in/out procedures and required documentation such as field destination sheets [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 procedure will be finalized by 10/1/2022 and communicated directly to staff via email and training module in the LMS.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the fifth 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. During fiscal year 2021, these five employees – four mental health emergency services coordinators and one health program analysis supervisor – earned a combined total of \$108,914 in overtime, which represented 22 percent of DBHIDS' total overtime expenditures for the year.</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>HR has sent several email communications to staff outlining the protocol for requesting overtime. The department will recirculate payroll policies and procedures requiring staff eligible for overtime to receive pre-approval of overtime in writing. This will occur on a monthly basis moving forward via direct emails to staff. Department requires electronic overtime authorizations to be attached to timecards and will follow up directly with staff members in violation of the policy for training purposes. Department will dedicate HR personnel to internally audit all overtime entries on a bi-weekly basis.</p>
<p><u>For the ninth consecutive year, we are reporting that the city sick leave policy was not properly enforced.</u> Three of the five civil service employees tested, who each used eight or more days of undocumented sick leave during calendar year 2020, were not placed on the Excessive Use of Sick Leave List. Two of these three employees were not penalized according to the city's Sick Leave Rules and Regulations, and they continued to use and be paid for uncertified sick leave in violation of this policy. Consequently, they were paid \$11,260 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</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.<sup>1</sup></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 [101512.01].</p>	<p>Department has and will continue to enforce the city's sick policy, including counseling and subsequent sanctions set forth in the policy for all sick leave policy violations. Department will require electronic leave slips to be attached to timecards and has communicated this to the department via electronic communication on several occasions. Sick Abuse monitoring was implemented into Oracle in compliance with the City of Philadelphia's Sick Abuse Policy. The Sick Abuse Control Program runs weekly and automatically on Fridays as a supplement to the manual review process. A software update now allows OnePhilly to issue automatic five-day warning and</p>

<sup>1</sup> According to our analysis of uncertified sick leave data from the city's OnePhilly payroll system, there were 4 employees who used 8 or more undocumented sick days during calendar year 2020. Our analysis excluded undocumented sick leave taken from March 18, 2020 through September 27, 2020 since the city did not require medical certificates for sick leave used during that period due to the COVID-19 pandemic.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <p>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, and the three employees who used eight or more undocumented 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 nine of 14 sick leave occasions reported as certified in the city's online payroll system.</p>			<p><b>(continued)</b></p> <p>eight-day placement letters to the employee's supervisor and HR personnel. Department will dedicate HR personnel to internally audit sick leave time entries on a bi-weekly basis and follow up with OnePhilly sick abuse notifications.</p> <p><b>[Controller's Office Evaluation of Department's Response:</b> The department's response states that "Sick Abuse monitoring was implemented into Oracle in compliance with the City of Philadelphia's Sick Abuse Policy." This statement refers to the OnePhilly payroll system's Sick Abuse Control Program that began in March 2022 and includes the automatic sick abuse warning and placement letters. The fiscal year 2021 audit tested the department's compliance with the city's sick leave policy for calendar year 2020. We will follow up on the department's response in the fiscal year 2023 audit, which will test the department's compliance for calendar year 2022.]</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the eleventh 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 12 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 through e-mail. The leave time taken will be entered into the employees' timecards in the OnePhilly system, and the supervisors will electronically approve the timecards. However, the department was unable to provide evidence of any such pre-approval of leave time for the 12 sample dates.</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>Department will continue to enforce the city's leave request policy and require all employees to formally submit written requests to supervisors prior to taking leave time. Department requires electronic leave slips to be attached to timecards and HR has dedicated HR personnel to internally audit leave request time entries on a bi-weekly basis and implement sanctions, including counseling and subsequent sanctions set forth in the leave policy. HR has sent several messages to impacted employees about the leave policy through a variety of platforms. Additionally, counseling and guidance are provided to employees as needed on an individual basis.</p>

City of Philadelphia  
Department of Parks and Recreation  
Findings and Recommendations  
Fiscal Year 2021

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 2021.

<u>Name and address of department head</u>	<u>Appropriations:</u>	<u>Estimated Revenues:</u>	
Kathryn Ott Lovell, Commissioner	General Fund	Non-Tax Revenue	\$ 1,215,000
Department of Parks and Recreation	Grants Revenue Fund	From Other Governments	<u>13,076,000</u>
1515 Arch Street, 10 <sup>th</sup> Floor	Capital Fund	Total Estimated Revenues	\$ <u>14,291,000</u>
Philadelphia, PA 19102	Total Appropriations		
	\$ 56,966,154		
	13,225,829		
	<u>185,183,000</u>		
	<u>\$255,374,983</u>		
		<u>Number of Full Time Employees:</u>	
		Civil Service	629
		Exempt	<u>41</u>
		Total Employees	<u>670</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>For the fifth year, we have reported that the department's petty cash fund has not been properly reconciled.</u> Our current review disclosed that monthly fund reconciliations were still not properly prepared for the department's petty cash account for the Program Fund. Five petty cash checks totaling \$910, which were issued on various dates ranging from July 2011 through December 2014, have not been submitted for reimbursement. The department could not provide adequate documentation supporting these disbursements.</p>	<p>Failure to reconcile the account properly has resulted in a shortage of \$910. Not submitting expenditures for reimbursement timely increases the likelihood that receipts and invoices can be lost, complicating the reimbursement process. Failure to timely investigate and resolve shortages or overages on petty cash reconciliations increases the risk that missing funds will remain unrecovered or that overages will be misappropriated.</p>	<p>Management should ensure that petty cash expenditures are properly documented and submitted for reimbursement in a timely manner [101616.05]. Additionally, any overages or shortages should be evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [101616.03].</p>	<p>The department acknowledges this finding and agrees with the recommendation.</p> <p>Adequate support was submitted for investigation and the shortage was approved and reimbursed according to standard accounting procedures of the city's Finance Office in November 2021.</p>
<p><b>PERSONAL SERVICES</b></p> <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 two of the five employees selected for testing.</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 [101621.01].</p>	<p>The department acknowledges this finding and agrees that a new resource is needed to perform periodic quality control audits for payroll. We will explore the options available within budgetary constraints.</p>
<p><u>For the fourth consecutive year, we have reported that payroll attendance records were not properly authorized by supervisory personnel.</u> Weekly time reports for four 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.</p>



Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>For the seventh 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.	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 [101615.06].	The department acknowledges this finding and will continue working with the payroll staff and supervisors to ensure proper protocol is being followed.
<u>For the ninth 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 \$13,470, broken down as follows: <ul style="list-style-type: none"><li>Three of the five civil service employees tested, who each used over eight days of undocumented sick leave during calendar year 2020, were not placed on the Excessive Use of Sick Leave List. These three employees 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 \$13,174 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</li></ul>	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. <sup>1</sup>	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 [101612.01].	The department acknowledges this finding and will continue to improve our enforcement efforts as it relates to the sick leave policy. Several reports previously available to track sick leave usage were unavailable, and the relaxed application of the policy during calendar year 2020 as a result of the COVID 19 pandemic made it difficult for the department to adequately track compliance. Additionally, built in system flags that existed in the legacy system were not available in OnePhilly, making it extremely difficult to proactively manage the sick leave policy and issue timely notices and penalties. The implementation of the OnePhilly automated notification letter was completed during FY22 and has significantly increased compliance in this area. There is still a need to have manual tracking to manage the disciplinary process associated with the sick leave policy, and we are working to finalize that process internally.

<sup>1</sup> According to our analysis of uncertified sick leave data from the city's OnePhilly payroll system, there were 16 employees who used 8 or more undocumented sick days during calendar year 2020. Our analysis excluded undocumented sick leave taken from March 18, 2020 through September 27, 2020 since the city did not require medical certificates for sick leave used during that period due to the COVID-19 pandemic.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <p>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 selected for testing received a fifth-day warning letter, and the three employees who used more than eight undocumented 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 six of 35 sick leave occasions reported as certified in the city's online payroll system.</p> <ul style="list-style-type: none"><li>• Our analysis of calendar year 2020 uncertified sick leave data from the city's OnePhilly payroll system disclosed an additional two civil service employees who were improperly paid a total of \$296 for uncertified sick leave used after the eighth undocumented sick day.</li></ul>			

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> During our review of the department's petty cash funds, we noted that four of the eight fund reconciliations and three of the eight bank reconciliations for the Administration petty cash account were not completed within thirty days after the end of the month. Additionally, four of the eight bank and fund reconciliations for the Program petty cash account were not completed in a timely manner. Lastly, four of the eight bank and fund reconciliations for the Fairmount Park Commission petty cash account were also not prepared in a timely manner.</p>	<p>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.</p>	<p>Management should ensure that monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [101619.01].</p>	<p>Implemented.</p>
<p><u>For the fifth consecutive year, we have reported that long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Checks outstanding more than a year in both the Administrative and the Program Division's petty cash funds, dating back to 2004, totaling \$461, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order for each long outstanding check and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [101615.02].</p>	<p>Implemented.</p>

City of Philadelphia  
Department of Public Property  
Findings and Recommendations  
Fiscal Year 2021

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. In fiscal year 2021, there was a \$34.8 million decrease in estimated non-tax revenues primarily due to a reduction in anticipated proceeds from the sale of city real property assets.

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

Appropriations:

General Fund	\$205,847,679
Water Fund	4,368,565
Aviation Fund	21,900,000
Capital Fund	<u>42,953,000</u>
Total Appropriations	<u>\$275,069,244</u>

Estimated Revenues:

Non-Tax Revenue	\$ 5,300,000
From Other Governments	<u>18,000,000</u>
Total Estimated Revenues	<u>\$23,300,000</u>

Number of Full Time Employees:

Civil Service	128
Exempt	<u>14</u>
Total Employees	<u>142</u>

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

City of Philadelphia  
Department of Human Services and Office of Children and Families  
Findings and Recommendations  
Fiscal Year 2021

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 (OCF – formerly the Mayor’s Office of Education), headed by the deputy mayor for children and families, who is appointed by and reports directly to the mayor and is a member of the mayor’s cabinet. The OCF’s mission is to align the city’s policies, resources, and services 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. In addition, the OCF oversees the Department of Parks and Recreation and the Free Library of Philadelphia.

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. In fiscal year 2021, DHS’s General Fund appropriations increased by \$44.1 million, and OCF’s General Fund appropriations decreased by \$44.9 million due to the transfer of the OCF’s operational functions to DHS, which included the pre-K and community schools programs.

Name and address of department head

Vanessa Garrett Harley, Esq., Deputy Mayor  
Office of Children and Families  
1515 Arch Street, 8<sup>th</sup> Floor  
Philadelphia, PA 19102

Appropriations:

**Department of Human Services**

General Fund	\$163,090,633
Grants Revenue Fund	<u>637,985,995</u>
Total Appropriations	<u>\$801,076,628</u>

Estimated Revenues:

**Department of Human Services**

Non-Tax Revenue	\$ 2,500,000
From Other Governments	<u>637,986,000</u>
Total Estimated Revenues	<u>\$640,486,000</u>

Kimberly Ali, Commissioner  
Department of Human Services  
1515 Arch Street, 8<sup>th</sup> Floor  
Philadelphia, PA 19102

**Office of Children and Families**

General Fund	<u>\$418,820</u>
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Number of Full Time Employees:

**Department of Human Services**

Civil Service	1,329
Exempt	<u>133</u>
Total Employees	<u>1,462</u>

**Office of Children and Families**

Exempt	<u>3</u>
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Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>The department's Budget Unit petty cash fund has still not been properly reconciled.</u> During our review of the department's petty cash records, we noted that the bank and fund reconciliations were not properly prepared. The following items were erroneously recorded in the bank and fund reconciliations:</p> <ul style="list-style-type: none"> <li>The department was unable to provide supporting documentation for a shortage of \$1,240 reported on the fund reconciliation. Also, for an \$85 bill to be vouchered, the department did not provide the supporting invoice or receipt.</li> <li>For \$720 out of \$2,301 in outstanding checks recorded on the bank reconciliation, the department was unable to provide supporting documentation.</li> </ul>	<p>Failure to reconcile the account properly increases the risk that errors or irregularities may occur and not be detected. Failure to investigate shortages on the petty cash reconciliation increases the risk that missing funds will remain unrecovered as well as complicates the reconciliation process.</p>	<p>Management should ensure that monthly petty cash bank and fund reconciliations are properly prepared in accordance with standard accounting procedures of the city's Finance Office by providing training to the individual responsible for preparing the reconciliations. Additionally, if any overages or shortages exist, they should be evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [102218.01].</p>	<p>The department agrees with the recommendation and is committed to continual monitoring and training.</p> <p>Management will follow up with the custodian and reconciler upon notification of overages or shortages, at least quarterly.</p>
<p><u>Long outstanding petty cash checks were still not deposited into the city's Unclaimed Monies Fund.</u> Checks outstanding more than a year totaling \$855, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2 requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. In addition, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order for each long outstanding check and draw a transfer check payable to the City of Philadelphia-Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [102218.02].</p>	<p>The department actively and vigilantly tracks and seeks to clear outstanding checks, in order to maximize available funds. At the present time (based on 7/31/22 reconciliation), outstanding checks total \$165.08 – all of which are 90 days or less. The department prioritizes active tracking so that additional costs are not incurred by requesting stop payments.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Payroll data entries for separated employees were not always checked.</u> Out of five separated employees selected for testing, we noted that one was erroneously paid for a holiday after the termination date. Also, we noted that this same employee did not receive the terminal leave payment for unused vacation and compensatory time that she was due after separation. The erroneous holiday payment should have been deducted from the terminal leave payment due to this employee.</p>	<p>Errors or irregularities occurred and were not detected during the normal process of preparing the bi-weekly payroll. Regarding the errors noted by us, the separated employee was overpaid \$187 when she was incorrectly compensated for the holiday and underpaid \$3,055 when she did not receive the terminal leave payment, resulting in a net underpayment of \$2,868.</p>	<p>Require that employees assigned to approve the bi-weekly payroll and spot-check the appropriateness of payroll data entries, ensure that (1) the payroll time records accurately reflect the status of all separated employees and (2) final payroll checks are properly calculated. Require management to submit the required terminal leave documentation for separated employees who are due payment for unused leave time [102221.01].</p>	<p>The one record found to be out of compliance was due to an oversight by HR. To prevent this error, the payroll supervisor will continue to list all employees separating each pay period on the payroll closing memo to the HR team and review time record for accuracy. A verification that terminal leave documents have been submitted will be added to the payroll register review process.</p>
<p><u>For the ninth consecutive year, we are reporting that the city's sick leave policy was not properly enforced.</u> DHS's failure to enforce the city's sick leave policy resulted in its employees being improperly paid a total of \$16,667, broken down as follows:</p> <ul style="list-style-type: none"> <li>Four of the five civil service employees tested, who each used over eight days of undocumented sick leave during calendar year 2020, 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 \$13,830 in sick leave benefits that they would not have been entitled to had the department</li> </ul>	<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.<sup>1</sup></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>As it relates to the sick leave policy, the audit sample period included dates impacted by the COVID-19 pandemic. The city waived medical notes in 2020 until September 28, 2020. Due to various challenges, DHS did not resume monitoring sick abuse until January 2021.</p> <p>The program now sends auto generated notices when employees are in violation.</p> <p><b>[Controller's Office Evaluation of Department's Response:</b> Regarding the department's statements that "the audit sample period included dates impacted by the COVID-19 pandemic" and "the city waived medical notes in 2020</p>

<sup>1</sup> According to our analysis of uncertified sick leave data from the city's OnePhilly payroll system, there were 25 employees who used 8 or more undocumented sick days during calendar year 2020. Our analysis excluded undocumented sick leave taken from March 18, 2020 through September 27, 2020 since the city did not require medical certificates for sick leave used during that period due to the COVID-19 pandemic.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <p>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 selected for testing 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 sampled employees, the department was unable to provide the supporting medical certificates for two of 20 sick leave occasions reported as certified in the city's online payroll system.</p> <ul style="list-style-type: none"> <li>• Our analysis of calendar year 2020 uncertified sick leave data from the city's OnePhilly payroll system disclosed an additional 10 civil service employees who were improperly paid a total of \$2,837 for uncertified sick leave used after the eighth undocumented sick day.</li> </ul>			<p><b>(continued)</b></p> <p>until September 28, 2020," our testing of the department's compliance with the city's sick leave policy excluded all undocumented sick leave taken from March 18, 2020 through September 27, 2020, which was the period that the city did not require medical certificates for sick leave used due to the COVID-19 pandemic.]</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> 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> <ul style="list-style-type: none"> <li>DHS could not provide approved overtime authorization forms for six out of 25 overtime dates selected for testing.</li> <li>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.</li> </ul> <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>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>Implemented.</p>
<p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> During our review of the department's petty cash records, we noted that four of the 12 bank and fund reconciliations tested for the Administrative petty cash account were not performed in a timely manner.</p>	<p>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.</p>	<p>Management should ensure that monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [102219.01].</p>	<p>Implemented.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Duties for preparing the bank and fund reconciliations were not adequately segregated.</u></p> <p>During our review of the department's petty cash funds, we noted that the custodian for the Juvenile Justice's petty cash account prepared 10 of the 11 bank and fund reconciliations tested. In addition, the petty cash custodian reviewed one of the 11 bank and fund reconciliations.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than the petty cash custodian to prepare and review bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [102216.03].</p>	<p>Implemented.</p>
<p><u>For the fourth consecutive year, we have reported an unauthorized individual was responsible for the physical custody and operation of the department's Juvenile Justice Center's petty cash fund.</u></p> <p>According to standard accounting procedures of the city's Finance Office, if the petty cash custodian changes, the agency head is required to notify the city's Finance Office and instruct the outgoing petty cash custodian to reconcile the fund in the presence of the replacement. This fund reconciliation must be signed by the new petty cash custodian acknowledging receipt of the fund as stated.</p>	<p>Failure to appropriately assign a petty cash custodian increases the risk that the petty cash fund is not secure or properly accounted for. In addition, if the duties, as well as the fund, were not properly signed over to the new petty cash custodian, the responsibility for safeguarding the asset still resides with the previous custodian.</p>	<p>Management should submit an Agency Request for Petty Cash and Imprest Changes form and a Petty Cash Change of Custodian form to the Finance Office whenever the petty cash custodian changes in accordance with standard accounting procedures of the city's Finance Office [102216.04].</p>	<p>Implemented.</p>

City of Philadelphia  
Philadelphia Prison System  
Findings and Recommendations  
Fiscal Year 2021

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.

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

Appropriations:

General Fund	\$220,169,920
Capital Fund	<u>19,060,000</u>
Total Appropriations	<u>\$239,229,920</u>

Estimated Revenues:

Non-Tax Revenue	\$1,300,000
From Other Governments	<u>220,000</u>
Total Estimated Revenues	<u>\$1,520,000</u>

Number of Full Time Employees:

Civil Service	1,602
Exempt	<u>15</u>
Total Employees	<u>1,617</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>Monthly fund reconciliations still lacked evidence of approval.</u> During our review of the department's petty cash funds, we noted that seven of the eight fund reconciliations tested did not have any indication that they were reviewed by the responsible person.</p>	<p>Failure to review reconciliations increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a third person other than the custodian and preparer to review reconciliations. This review should be evidenced by a signature in accordance with the standard accounting procedure of the city's Finance Office [102319.01].</p>	<p>In March of 2022, the department was made aware that a third person was needed for review of reconciliations. A third person now reviews the reconciliations. This is evidenced by the signatures on both the bank reconciliation and petty cash reconciliation.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Monthly petty cash bank and fund reconciliations have still not been performed correctly.</u> During our review of the department's petty cash records, we noted that the bank and fund reconciliations were still not properly prepared. The following items were erroneously recorded in the bank and fund reconciliations:</p> <ul style="list-style-type: none"> <li>• The ending balance of the checkbook exceeded the ending book balance recorded on the bank reconciliation by \$207.</li> <li>• Also, since the department used the ending checkbook balance for the cash balance recorded in the fund reconciliation, the fund reconciliation's cash balance exceeded the reconciled cash balance from the bank reconciliation by \$207.</li> </ul>	<p>Failure to reconcile the account properly increases the risk that errors or irregularities may occur and not be detected. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure that monthly petty cash bank and fund reconciliations are properly prepared in accordance with standard accounting procedures of the city's Finance Office [102317.01].</p>	<p>In March of 2022, all PDP preparers have received refresher instructions to ensure book and fund balances are prepared accurately and will reconcile any discrepancies in a timely manner.</p>
<p><b>PERSONAL PROPERTY</b></p> <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 personal property database, we noted 1,391 items, valued at \$1,878,869, which have been 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 city's database after three years and periodically reconcile their records to the database [102321.01].</p>	<p>We will continue to work with Central Procurement to ensure all cannot locate items are removed from the database after three years. The department sends them correspondences about the removals. Annual inventories are completed by the PDP and submitted to Procurement.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Payroll data entries for separated employees were not always checked.</u> Out of five separated employees selected for testing, we noted that one remained on the city's payroll and was paid for four days after the termination date. The department failed to submit a Payroll Credit Advice (PCA) for the separated employee to recover the overpayment. In addition, we noted that three separated employees did not receive the terminal leave payments for unused vacation and compensatory time that they were due after separation.</p>	<p>Errors or irregularities occurred and were not detected during the normal process of preparing the bi-weekly payroll. In one instance, the employee was overpaid \$1,096. In addition, the three employees who did not receive their terminal leave payments were underpaid \$15,771.</p>	<p>Require that employees assigned to approve the bi-weekly payroll and spot-check the appropriateness of payroll data entries, ensure that (1) the payroll time records accurately reflect the status of all separated employees and (2) final payroll checks are properly calculated and issued. Require management to submit PCAs for any overpayments and submit the required terminal leave documentation for separated employees who are due payment for unused leave time [102321.02].</p>	<p>The department reviewed the employees selected for testing and identified procedural deficiencies and made several personnel changes to ensure HR and Payroll perform their respective administrative duties to calculate terminal leave, conduct a secondary review prior to submission to Central Finance.</p> <p>The department implemented a review process to ensure such transactions are processed in the order of employee separations by the payroll supervisor, if required will submit a Payroll Credit Advice.</p> <p>Once notified, Central Finance reviews the payment calculation for terminal leave and processes the transaction.</p>
<p><u>Payroll data entries were still not adequately checked.</u> For all five employees tested, we noted that employee attendance records did not correspond to the online payroll records. Errors in the online payroll records included the erroneous recording of overtime hours for all five employees resulting in four overpayments and one underpayment; failing to record shift differential pay for all five employees which caused underpayments; and incorrectly posting vacation time used to one employee's online payroll record when the attendance record showed no vacation leave used.</p>	<p>Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll. The payroll data entry errors noted by our testing resulted in a net overpayment of \$184.</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 hired an HR Associate 3 mid 2021 to be the independent checker to perform audits for payroll data entries. However, due to staff attrition, the HR Associate 3 assumed additional duties and was unable to consistently spot-check the data entries.</p> <p>To cover this function vacated by the HR Associate 3, the department assigned a Clerk 3 within the payroll unit to assume the check of the Pre-Payroll Analysis Dashboard before and after payroll.</p> <p>Kronos, the time and attendance platform which automatically feeds time directly to OnePhilly OTL for leave usage is then</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
			<p><b>(continued)</b></p> <p>reviewed by the payroll clerks who make any necessary adjustments to reflect actual leave slips upon receipt against what they entered into OnePhilly. This process is a secondary step to ensure that automated leave is reconciled to actual leave slips approved by supervisors.</p>
<p><u>For the third consecutive year, we have reported 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 all 15 sample dates selected for testing. Eight of the 15 sample dates with no documented approval of leave time pertained to one employee who used eight consecutive vacation days.</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>The department reissued a memo to the supervisors reiterating the requirement to submit leave slips and supporting documentation. Deployment supervisors received refresher instructions to promptly submit leave slips to Payroll for processing.</p> <p>The department requires a daily response from deployment supervisors indicating the submission of leave slips.</p>
<p><u>For the third consecutive year, we are reporting that employee overtime was not always properly authorized.</u> For the five employees tested, the department did not provide evidence of overtime authorization for 16 of the 25 dates selected for testing. Specifically, we noted the following:</p> <ul style="list-style-type: none"> <li>For 13 of the 16 instances, the employees worked overtime during multiple shifts on those sample dates, but the department could not provide overtime authorization forms for all shifts worked by the employees.<sup>1</sup> Out of 213.5 overtime hours worked by the employees on the 13 sample</li> </ul>	<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 overtime approval is generated by supervisors approving it in the Kronos time and attendance. Overtime is now approved electronically and recorded in the system as the color green. Overtime indicated by the color red is not approved. This process allows for better tracking of approved overtime.</p> <p>The department shared the overtime color legend with the Controller's Office for such reviews. Paper slips are still generated for record keeping purposes.</p> <p>Overtime entries reflected as green were approved and red indicated denied.</p>

<sup>1</sup>For each shift for which overtime is worked, responsible supervisory personnel are required to approve an overtime authorization form.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>dates, the department was unable to provide evidence of overtime authorization for 106.5 hours.</p> <ul style="list-style-type: none"><li>For the other three sample dates, the department could not provide any overtime authorization forms.</li></ul> <p>The five employees tested, all of whom were correctional officers, earned a combined total of \$329,238 in overtime during fiscal year 2021.</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 enforce the city's sick leave policy resulted in its employees being improperly paid a total of \$56,030, broken down as follows:</p> <ul style="list-style-type: none"><li>None of the five civil service employees tested, who each used over eight days of undocumented sick leave during calendar year 2020, 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 \$40,484 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</li></ul>	<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.<sup>2</sup></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>Prior to the transition to OnePhilly in 2019, the department utilized the legacy which allowed for the automation of tracking and generating sick leave notification.</p> <p>OnePhilly did not provide the sick leave notification tracking capability and payroll staff were tracking it manually, with the assistance of sick abuse reports, which was burdensome and resulted in some errors in notification.</p> <p>The department reported this issue to One Philly and the electronic capability was added in FY2022. Sick leave usage in excess of the sick leave policy is now generated electronically and the employee and the department receive electronic notification of placement on the Excessive Use of Sick Leave List.</p>

<sup>2</sup> According to our analysis of uncertified sick leave data from the city's OnePhilly payroll system, there were 42 employees who used 8 or more undocumented sick days during calendar year 2020. Our analysis excluded undocumented sick leave taken from March 18, 2020 through September 27, 2020 since the city did not require medical certificates for sick leave used during that period due to the COVID-19 pandemic.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <p>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 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 these five employees, the department was unable to provide the supporting medical certificates for 8 of 9 sick leave occasions reported as certified in the city's online payroll system.</p> <ul style="list-style-type: none"> <li>Our analysis of calendar year 2020 uncertified sick leave data from the city's OnePhilly payroll system disclosed an additional 32 civil service employees who were improperly paid a total of \$15,546 for uncertified sick leave used after the eighth undocumented sick day.</li> </ul>			<p><b>(continued)</b></p> <p>The department has assigned a payroll clerk to review OnePhilly and prepare notification of applicable penalties for sick leave violations.</p>

**CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS**

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>The department did not maintain proper documentation for the removal of disposed personal property items.</u> We noted that the department failed to provide supporting documentation of the disposal of personal property items valued at \$3,596. We noted four disposed items that were removed from the city's database, and one item that was listed as disposed in the department's records but was still located in the department.</p>	<p>Failure to provide the proper documentation for disposed or lost/stolen personal property items will result in an inaccurate valuation of the department's assets and increases the risk of misappropriation.</p>	<p>Management should ensure that disposed or lost/stolen items are supported with the proper documentation and that personal property items are periodically reconciled to the city's database [102319.02].</p>	<p>Implemented.</p>



City of Philadelphia  
Office of Homeless Services  
Findings and Recommendations  
Fiscal Year 2021

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 homelessness prevention and emergency, temporary, and long-term housing. Most of the services are provided by third parties with which OHS contracts or in partnership with other governmental entities. The overall goal of OHS is to help individuals and families end their episode of homelessness. Riverview, a personal care boarding home for low-income people with disabilities that require assistance with the activities of daily living, was operated by OHS until September 2021 when Riverview ceased operations. OHS is headed by a Deputy Managing Director who reports to the Deputy Managing Director for Health and Human Services. In fiscal year 2021, there was a \$35 million increase in estimated revenues from other governments and grants revenue fund appropriations due to Emergency Solutions Grants program funds awarded through the Coronavirus Aid, Relief, and Economic Security Act.

Name and address of department head

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

Appropriations:

General Fund	\$ 44,038,587
Grants Revenue Fund	80,622,432
Capital Fund	<u>4,855,000</u>
Total Appropriations	<u>\$129,516,019</u>

Estimated Revenues:

Non-Tax Revenue	\$ 1,620,000
From Other Governments	<u>79,623,000</u>
Total Estimated Revenues	<u>\$81,243,000</u>

Number of Full Time Employees:

Civil Service	139
Exempt	<u>31</u>
Total Employees	<u>170</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> During our review of the department's petty cash records, we noted that five of the eight bank and fund reconciliations tested for the Adult Services petty cash account were not performed in a timely manner. Additionally, four of the eight bank and fund reconciliations tested for the Riverview account were not performed in a timely manner.</p>	<p>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.</p>	<p>Management should ensure monthly bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [102421.01].</p>	<p>Closure of Riverview Personal Care Home effective 9/21 ends the petty cash account.</p> <p>OHS is working with the Treasurer's Office and Finance to close out this account. The department will send an update once this has been completed.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>The department's use of petty cash again violated city policy as it split a petty cash purchase to evade the \$750 spending limit.</u> The department circumvented the \$750 petty cash expenditure limit established by the Director of Finance, by splitting an \$845 purchase into two payments.</p>	<p>Improperly using petty cash funds for purchases above the spending limit reduces the city's purchasing power to obtain the best value for goods and services. In addition, there are expenditure processing controls in place for purchases above specific amounts to reduce the risk of unauthorized or unnecessary payments.</p>	<p>We recommend that management refrain from splitting invoices to circumvent the petty cash spending limit, in accordance with standard accounting procedures of the city's Finance Office [102419.01].</p>	<p>OHS has ended this practice internally. With the closure of the Riverview petty cash account it will be easier for fiscal management to monitor all petty cash requests and dispersals for compliance with applicable SAPs.</p>
<p><u>The department's Riverview petty cash account has still not been properly reconciled.</u> During our review of the department's petty cash records for the Riverview account, we noted that the bank and fund reconciliations were not properly prepared. The following items were erroneously recorded in the bank and fund reconciliations:</p> <ul style="list-style-type: none"> <li>• In the Riverview account, there existed a shortage of \$978 caused by unreimbursed disbursements from fiscal years 2016 and 2017. The unreimbursed amount of \$978 consisted of an unallowable \$570 furniture purchase that also exceeded the then \$500 petty cash limit and \$408 in disbursements for which receipts were not timely submitted for reimbursement. Also, there existed an overage of \$39, reported on the fund reconciliation since March 2020, for which the department was unable to provide supporting documentation.</li> <li>• For a \$25 item labeled as "erroneous bank credit" on the bank reconciliation, the department could not provide supporting documentation.</li> </ul>	<p>Failure to properly reconcile the account increases the likelihood that receipts and invoices can be lost, complicating the reimbursement process. In addition, failure to investigate shortages or overages on petty cash reconciliations increases the risk that missing funds will remain unrecovered or that overages will be misappropriated.</p>	<p>We recommend that OHS solicit the assistance of the city's Finance Office to properly resolve the Riverview account's shortage, overage, and any other outstanding issues so the account can be closed [102419.02].</p>	<p>OHS is working with the Treasurer's Office and Finance to close out this account. OHS will send an update once this has been completed.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <p>OHS management indicated that, since the Riverview personal care home ceased operations in September 2021, they would work to resolve all outstanding issues for the Riverview petty cash fund in order to close the account.</p>			
<p><u>A shortage still exists in the agency's petty cash account.</u> During our review of the department's petty cash, we noted that the \$199 shortage in the Adult Services account, which was reported in the fiscal year 2019 report, still existed. The \$199 shortage was due to unreimbursed disbursements and reimbursements for uncashed checks from prior years that have not been resolved.</p>	<p>Failure to properly reconcile the account increases the likelihood that receipts and invoices can be lost, complicating the reimbursement process. Failure to investigate shortages or overages on petty cash reconciliations increases the risk that missing funds will remain unrecovered or overages will be misappropriated.</p>	<p>If any overages or shortages exist, they should be evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [102417.02]. In addition, we recommend that receipts be timely submitted for reimbursement [102418.01].</p>	<p>This shortage will be addressed in FY23, and we will provide an update once completed. As staff has been working remotely primarily and petty cash disbursements are still done via hard checks, we have not done reimbursements as regularly as we had done in the past. We aim to do reimbursements at least monthly going forward if needed.</p>
<p><b>PERSONAL PROPERTY</b></p> <p><u>Personal property failed to be tagged and recorded in the city's database.</u> During our testing of selected equipment purchases, we noted that four personal property items, each with an individual cost exceeding the city's tagging threshold of \$750, were not tagged. Therefore, these four items, which consisted of surveillance equipment totaling \$13,032, were not recorded on the city's personal property database. Standard Accounting Procedure E-72-002 requires that all purchased equipment with a cost exceeding \$750 be (1) affixed with a physical tag to identify it as city-owned equipment and (2) recorded in the city's database.</p>	<p>Failure to tag personal property increases the risk of misappropriation and loss. Also, the personal property is not recorded on the city's database, which understates fixed asset inventory values.</p>	<p>Management should ensure that tags are placed on all personal property items with a value exceeding \$750 and these items are recorded in the city's database, in accordance with standard accounting procedures of the city's Finance Office [102421.02].</p>	<p>These items are now tagged. Management will ensure that tagging is completed in a timely manner moving forward.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> For the five employees tested, the department was unable to provide formal approved leave requests for all 12 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 [102421.03].</p>	<p>The OHS Office of Human Resources has provided training and guidance to OHS managers to ensure that the process is followed and then enforced through the chain of command. HR has elevated a request that OnePhilly introduces an absence management module that would allow leave approval through the automated system.</p>
<p><u>City sick leave policy was not properly enforced.</u> Three of the five civil service employees tested, who each used eight or more days of undocumented sick leave during calendar year 2020, were not placed on the Excessive Use of Sick Leave List. Two of these three employees 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 \$3,234 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</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.<sup>1</sup></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 [102421.04].</p>	<p>Leadership reviews the sick abuse list monthly and takes corrective action. The OHS Office of Human Resources will provide training and guidance to OHS managers to ensure that the process is followed and then enforced through the chain of command. OHS HR has elevated a request that OnePhilly introduce an absence management module that would allow us to adopt and enforce the sick leave policy for civil service employees more easily.</p>

<sup>1</sup> According to our analysis of uncertified sick leave data from the city's OnePhilly payroll system, there were 5 employees who used 8 or more undocumented sick days during calendar year 2020. Our analysis excluded undocumented sick leave taken from March 18, 2020 through September 27, 2020 since the city did not require medical certificates for sick leave used during that period due to the COVID-19 pandemic.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<b>(continued)</b>  employees selected for testing received a fifth-day warning letter, and three of the five employees 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 seven of 13 sick leave occasions reported as certified in the city's online payroll system.			
<u>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 all civil service employees by supervisory personnel [102421.05].	The Human Resources team will ensure that the performance evaluation calendar is enforced. During COVID, OHS experienced significant staff vacancies in HR as a result of the city's hiring freeze. Now we are fully staffed up and more able to systematically ensure the evaluations are completed in a timely manner.

City of Philadelphia  
Department of Fleet Services\*  
Findings and Recommendations  
Fiscal Year 2021

Functions

The Department of Fleet Services (DFS), which replaced the Office of Fleet Management, was created by an amendment to the Philadelphia Home Rule Charter approved by the voters at the election held on November 2, 2021 and effective as of January 1, 2022. DFS 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 DFS include managing the acquisition, repair, maintenance, and disposal of all city-owned motor vehicles and vehicle-related equipment and apparatus; assigning vehicles and related equipment for use by city departments, officers, and employees; and managing all city fueling sites and all city programs concerning alternative vehicle fuel initiatives. DFS comprises two divisions: Fleet Maintenance Services and Fleet Administrative Services. DFS is responsible for over 6,000 vehicles owned by the city and its partners, 16 repair facilities, and 61 fuel sites. The commissioner of fleet services, who is appointed by the managing director with the approval of the mayor, oversees DFS with the assistance of a deputy for administration and a deputy for operations.

Name and address of department head

Joseph L. Rosati, Commissioner  
Department of Fleet Services  
100 South Broad Street, 3<sup>rd</sup> Floor  
Philadelphia, PA 19110

Appropriations:

General Fund	\$ 56,601,463
Water Fund	8,899,184
Aviation Fund	4,785,617
Capital Fund	<u>54,382,000</u>
Total Appropriations	<u>\$124,668,264</u>

Estimated Revenues:

Non-Tax Revenue	\$3,775,000
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Number of Full Time Employees:

Civil Service	329
Exempt	<u>5</u>
Total Employees	<u>334</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL PROPERTY</b></p> <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 personal property database, we noted eight items, valued at \$34,859, which have been 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 city’s database after three years and periodically reconcile their records to the database [102521.01].</p>	<p>DFS will work with the Procurement Department to process the transaction to reflect accurate personal inventory values in the city’s database.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>For the third consecutive year, we have reported that the city sick leave policy was not properly enforced.</u> None of the five civil service employees tested, who each used over eight days of undocumented sick leave during calendar year 2020, 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 \$5,252 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.</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.<sup>1</sup></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>The OnePhilly sick leave usage notification functionality was implemented during FY21. This delayed implementation impacted DFS' ability to adequately enforce the sick leave policy. DFS acknowledges the significance of the implementation of city's sick leave policy and is currently working to stay in compliance. DFS will continue to engage the OnePhilly team to enhance the sick abuse tracking process. At present a senior HR professional is assigned to monitor and implement the Sick Leave Rules and Regulations.</p>

<sup>1</sup> According to our analysis of uncertified sick leave data from the city's OnePhilly payroll system, there were 10 employees who used 8 or more undocumented sick days during calendar year 2020. Our analysis excluded undocumented sick leave taken from March 18, 2020 through September 27, 2020 since the city did not require medical certificates for sick leave used during that period due to the COVID-19 pandemic.

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> 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].	Implemented.
<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.	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.	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].	Implemented.



City of Philadelphia  
Department of Licenses and Inspections  
Findings and Recommendations  
Fiscal Year 2021

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.

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

Appropriations:  
General Fund \$38,509,783  
Community Development Fund 490,303  
Total Appropriations \$39,000,086

Estimated Revenues:  
Non-Tax Revenue \$71,588,000  
From Other Governments 490,000  
Total Estimated Revenues \$72,078,000

Number of Full Time Employees:  
Civil Service 349  
Exempt 33  
Total Employees 382

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<b>REVENUE RECEIPTS</b>  <u>For the fourth 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> Our testing of selected L&I revenue sources continued to note that the daily posting of revenue is not reconciled to the city's financial accounting system (FAMIS). For housing inspection license renewal	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.	L&I management should solicit the assistance of the Revenue Department to determine if there is an existing revenue collection report or a report that can be created in the new Philadelphia Revenue Information System Management	L&I will work with the Revenue Department to address this issue. With the upcoming launch of PRISM and Revenue's assistance, the department would look to obtain PRISM reports to support reconciliation efforts.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <p>revenue, we tested two sample weeks, which consisted of nine collection days, and noted differences between the revenue amounts posted to L&amp;I's eCLIPSE system and FAMIS totaling \$79,077. Additionally, for building permit revenue, our testing of three sample days disclosed differences between the revenue amounts posted to L&amp;I's eCLIPSE system and FAMIS totaling \$13,692. For fiscal year 2021, total housing inspection license renewal revenue and total building permit revenue were \$14.7 million and \$25.4 million, respectively.</p> <p>L&amp;I management informed us that the department attempted but has been unable to match the eCLIPSE system's daily payment activity to FAMIS deposit totals. According to L&amp;I management, since the eCLIPSE system's daily payment totals reflect when payments are submitted, rather than cleared, while FAMIS deposits represent actual collections, they have been unable to identify which eCLIPSE transactions are included in any given FAMIS deposit.<sup>1</sup></p>		<p><b>(continued)</b></p> <p>(PRISM) application, that would enable reconciliation of the eCLIPSE system's daily payment activity to FAMIS deposit totals [102618.01].</p>	
<p><b>PERSONAL SERVICES</b></p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> For five out of 31 sample dates selected for testing, the department was unable to provide formally approved leave requests. These five dates pertained to one of the five employees tested and included four consecutively used vacation days.</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 [102621.01].</p>	<p>L&amp;I has implemented a new system, Kronos. This timekeeping system allows for better ease of use, allowing employees to input leave requests and their supervisor to approve requests in a much easier fashion. This is expected to improve documentation and authorization around employee leave time moving forward.</p>

<sup>1</sup> Most payments are submitted through various electronic methods, such as eCheck and credit card, that have differing timeframes for payment clearance.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>Payroll data entries were not adequately checked.</u> We noted that employee attendance records did not agree with the online payroll records for three of the 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.	Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [102621.02].	L&I has an employee dedicated to auditing records and to reconcile differences between Kronos and OnePhilly. This employee is expected to improve the accuracy of attendance records moving forward.
<u>Payroll attendance records were not authorized by appropriate supervisory personnel.</u> In our review of eight bi-weekly attendance records, we noted that two records 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 time worked by employees. Additionally, the payroll unit should be required to review the employee attendance records for evidence that the appropriate supervisory approval was obtained [102621.03].	The new timekeeping system has an automated reminder in place to send emails to supervisors to approve timecards. This is expected to improve supervisory authorizations moving forward.
<u>Employee evaluations were still not recently performed.</u> The department was unable to 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 employee evaluations for all civil service employees by supervisory personnel [102620.01].	The department will continue to work toward improving compliance. HR sends out emails to supervisors/managers, reminding them to complete annual reports.
<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 enforce the city's sick leave policy resulted in its employees being improperly paid a total of \$29,463, broken down as follows: <ul style="list-style-type: none"><li>None of the five civil service employees tested, who each used over eight days of undocumented sick leave during calendar year 2020, were placed on the Excessive Use of</li></ul>	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. <sup>2</sup>	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].	L&I recognizes the abuse of sick leave by employees and the failure to enforce the policy hurts everyone. After the FY21 audit was completed last year, the department revamped the process, setting aside additional time and resources to have all sick abuse violations correctly documented and served to employees, resulting

<sup>2</sup> According to our analysis of uncertified sick leave data from the city's OnePhilly payroll system, there were 29 employees who used 8 or more undocumented sick days during calendar year 2020. Our analysis excluded undocumented sick leave taken from March 18, 2020 through September 27, 2020 since the city did not require medical certificates for sick leave used during that period due to the COVID-19 pandemic.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <p>Sick Leave List or penalized according to the city's Sick Leave Rules and Regulations. 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 \$22,315 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 employees did not receive a fifth-day warning letter, and all five employees did not receive an eighth-day letter notifying them of placement on the Excessive Use of Sick Leave List.</p> <ul style="list-style-type: none"> <li>• Our analysis of calendar year 2020 uncertified sick leave data from the city's OnePhilly payroll system disclosed an additional 17 civil service employees who were improperly paid a total of \$7,148 for uncertified sick leave used after the eighth undocumented sick day.</li> </ul> <p>Lastly, we noted several instances where the department was unable to provide documentation supporting sick leave, as follows:</p> <ul style="list-style-type: none"> <li>• For the five employees tested, the department was unable to provide the supporting medical certificate for two of 21 sick leave occasions reported as certified in the city's online payroll system. Also, the department was unable to</li> </ul>			<p><b>(continued)</b></p> <p>in additional enforcement and counseling. This is expected to improve enforcement moving forward.</p> <p>The collection of sick notes was not properly prioritized during remote work. Payroll employees are now back in the office to collect sick notes.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p>(continued)</p> <p>provide supporting documentation for 10 days of Family Medical Leave Act (FMLA) sick leave taken by one of these five employees during calendar year 2020.</p> <ul style="list-style-type: none"> <li>For one of the five employees selected for testing of approved leave requests (see above), the department did not provide supporting documentation for three consecutively used days of FMLA sick leave.</li> </ul>			
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<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>Implemented.</p>

City of Philadelphia  
Philadelphia Water Department  
Findings and Recommendations  
Fiscal Year 2021

Functions

The Philadelphia Home Rule Charter established the Philadelphia Water Department (PWD), which is one of the 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 2021 appropriations for the Philadelphia Water Department and the Water, Sewer and Storm Water Rate Board were combined for reporting purposes. In fiscal year 2021, there was a \$423.3 million increase in the Capital Fund budget, consisting principally of \$251 million for improvements to treatment facilities, \$78.8 million for upgrades to the conveyance system, and \$72.5 million for collector system improvements.

Name and address of department head

Randy Hayman, Commissioner  
Philadelphia Water Department  
Jefferson Center, 5<sup>th</sup> Floor  
1101 Market Street  
Philadelphia, PA 19107

Appropriations:

Water Fund	\$ 439,866,347
Water Residual Fund	37,000,000
Capital Fund	<u>1,159,418,000</u>
Total Appropriations	<u>\$1,636,284,347</u>

Estimated Revenues:

Non-Tax Revenue	\$ 51,105,000
From Other Governments	1,000,000
From Other Funds	<u>150,110,000</u>
Total Estimated Revenues	<u>\$202,215,000</u>

Number of Full Time

Employees:

Civil Service	2,094
Exempt	<u>16</u>
Total Employees	<u>2,110</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>For the fifth 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 nine of the 12 dates selected for testing. For all nine 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.</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 [102817.04].</p>	<p>Due to the nature of the department's operations, and the unique needs of both office and fields units, departmental procedures allow for leave requests and approvals to be submitted via email, via outlook task requests 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.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
			<p>(continued)</p> <p><b>[Controller's Office Evaluation of Department's Response:</b> 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 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, an outlook task request, or supervisory approval of leave on time records after the leave was used is not sufficient documentation indicating the supervisor's authorization for an employee to use leave time. 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.]</p>
<p><u>For the fifth 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 \$39,239, broken down as follows:</p> <ul style="list-style-type: none"> <li>While all five civil service employees selected for testing used over eight days of undocumented sick leave during calendar year 2020, only one of the five was placed on the Excessive Use of Sick Leave List. All five employees were not penalized according to the city's Sick Leave Rules and Regulations, and they continued to use and</li> </ul>	<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.<sup>1</sup></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. In FY21 the department reviewed 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 used the new OnePhilly report to ensure that employees who have used five or more undocumented sick days are provided the required notifications and warning.</p> <p>Subsequent to the notification, sick abuse warnings memos and sick abuse list placement letters are given to the employees and</p>

<sup>1</sup> According to our analysis of uncertified sick leave data from the city's OnePhilly payroll system, there were 85 employees who used 8 or more undocumented sick days during calendar year 2020. Our analysis excluded undocumented sick leave taken from March 18, 2020 through September 27, 2020 since the city did not require medical certificates for sick leave used during that period due to the COVID-19 pandemic.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <p>be paid for both certified and uncertified sick leave in violation of this policy. Consequently, they were paid \$15,895 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 employees 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, the department was unable to provide supporting documentation for two days of Family Medical Leave Act (FMLA) sick leave taken by one of these five employees during calendar year 2020.</p> <ul style="list-style-type: none"> <li>• Our analysis of calendar year 2020 uncertified sick leave data from the city's OnePhilly payroll system disclosed an additional 45 civil service employees who were improperly paid a total of \$23,344 for uncertified sick leave used after the eighth undocumented sick day.</li> </ul>			<p><b>(continued)</b></p> <p>disciplinary action is implemented, if necessary.</p> <p>The implementation of the new One Philly provisions related to sick abuse provides an automation that will allow for HR oversight and the generation of automatic notices for sick abuse and automatic placement of employees moving forward.</p> <p>Enforcement of violations of the sick leave policy and associated sanctions are enforced by PWD HR.</p>



Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the fourth consecutive year, we are reporting that employee overtime was not properly authorized.</u> Out of 25 sample days tested for five employees, the department was unable to provide documentation evidencing the authorization of overtime for 20 days. These 20 instances pertained to four employees – two water treatment plant operations crew chiefs and two water conveyance supervisors – who earned a combined total of \$168,423 in overtime during fiscal year 2021.</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 in some cases verbal approval. Ultimately the approval of time records in One Philly, after review by the unit supervisor and manager is an indication of approval of overtime.</p> <p><b>[Controller's Office Evaluation of Department's Response:</b> The department's policy is not in accordance with the Finance Office's SAP No. E-9011 (Rev. 2), which states that the authorization for overtime or compensatory time shall be approved by a unit supervisor. A verbal approval or supervisory approval for overtime on time records after the overtime was performed 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>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<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.	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 daily attendance records [102820.01].	Implemented.
<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].	Implemented.
<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].	Implemented.

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<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].	Implemented.
<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].	Implemented.
<u>Shortages exist in the department's petty cash accounts.</u> During our review of the department's petty cash, we noted that the Administration, Collectors, Conveyance, Facilities Management, and Meter Shop petty cash funds have a combined unexplained shortage totaling \$2,172. The department was unable to provide any documentation that would enable us to determine the cause of the shortage.	Failure to properly reconcile the accounts increases the likelihood that receipts and invoices can be lost, complicating the reimbursement process. Failure to investigate shortages or overages on petty cash reconciliations increases the risk that missing funds will remain unrecovered or that overages will be misappropriated.	If any overages or shortages exist, they should be evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [102818.01].	Implemented.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>The department's petty cash funds have not been properly reconciled.</u> During our current review, we noted that monthly fund reconciliations were not prepared for the department's petty cash accounts for the Administration, Conveyance, and Collectors funds. All three funds listed bills to be vouchered totaling \$3,862 that were not substantiated by receipts or invoices.	Failure to properly reconcile the accounts increases the likelihood that receipts and invoices can be lost, complicating the reimbursement process. Failure to investigate shortages or overages on petty cash reconciliations increases the risk that missing funds will remain unrecovered or that overages will be misappropriated.	Management should ensure that the petty cash account is properly reconciled and that any overages/shortages are evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [102817.01].	Implemented.
<u>For the fifth consecutive year, we are reporting that duties for preparing the bank reconciliations were not adequately segregated.</u> During our review of the department's petty cash records, we noted that the petty cash custodian also prepared the monthly bank reconciliations for the Meter Shop.	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign a person other than the petty cash custodian to prepare the bank reconciliations in accordance with standard accounting procedures of the city's Finance Office [102815.02].	Implemented.

City of Philadelphia  
Department of Records  
Findings and Recommendations  
Fiscal Year 2021

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.

<u>Name and address of department head</u>	<u>Appropriations:</u>		<u>Estimated Revenues:</u>	
James Leonard, Commissioner	General Fund	\$4,004,335	Non-Tax Revenue	<u>\$30,234,000</u>
Department of Records	Capital Fund	<u>570,000</u>		
Room 160 City Hall	Total Appropriations	<u>\$4,574,335</u>		
Philadelphia, PA 19107			<u>Number of Full Time Employees:</u>	
			Civil Service	48
			Exempt	<u>3</u>
			Total Employees	<u>51</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> For three out of five employees tested, the department did not provide formal approved leave requests for 14 out of 24 dates selected for testing. Specifically, we noted the following:</p> <ul style="list-style-type: none"> <li>For 11 sample dates involving two employees, the department could not provide any leave request documentation.</li> </ul>	<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 [103121.01].</p>	<p>The department does require employees to submit leave requests for scheduled and unscheduled leave. The department will reinforce this protocol by sending out communication to all supervisors and managers reminding them of the importance of following through with this protocol.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
(continued) <ul style="list-style-type: none"><li>For three sample dates involving the other employee, the department provided an e-mail in which the employee requested the leave, but there was no evidence that a supervisor approved the request.</li></ul>			
<u>Employee overtime was not properly authorized.</u> Overtime was paid without written approval from management for 5 out of 9 overtime dates selected for testing. For these five dates, the department could not provide the overtime authorization form.	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 [103121.02].	Communication speaking to the requirement for certain units to work mandatory overtime was sent out in advance. The department will make sure that any and all overtime receives written preauthorization. All supervisors and managers will be updated/reminded.
<u>Payroll data entries for separated employees were not always checked.</u> Final payroll checks were not properly calculated for two of the three employees tested. In the first instance, the employee separated while possessing a negative vacation balance at the time of her termination. Subsequently, the department failed to submit a Payroll Credit Advice (PCA) for the resulting overpayment. In the second case, although we observed that a terminal leave audit worksheet was prepared, the employee did not receive the terminal leave payment for unused compensatory time that she was due after separation.	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 \$37. Additionally, another separated employee was underpaid by \$107.	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 a PCA for the overpayment and contact the Finance Office regarding the terminal leave payment due to the employee [103121.03].	The human resources/transactions unit has taken the necessary steps to make sure that all PCAs are submitted timely and when necessary.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>A formal lateness policy was still not established and communicated to employees.</u></p> <p>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>The department will consider this with direction from the city's Labor Relations department. In addition, since the pandemic, the department has been piloting a flex schedule and will work on possibly implementing a formal policy.</p>

City of Philadelphia  
Office of the Director of Finance and Sinking Fund Commission  
Findings and Recommendations  
Fiscal Year 2021

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. In fiscal year 2021, there were increases of \$780 million in grants revenue fund appropriations and \$758 million in estimated revenues from other governments primarily due to new COVID-19 related federal grants coming to the city with the passage of the Coronavirus Aid, Relief, and Economic Security Act and other federal legislation. Also, in fiscal year 2021, appropriations for the budget stabilization fund increased by \$34 million because the budget stabilization reserve (also known as the rainy day fund) was released and redirected to spending.

Name and address of department head  
Rob Dubow, Director of Finance  
Office of the Director of Finance  
Municipal Services Building, 13<sup>th</sup> Floor  
1401 John F. Kennedy Boulevard  
Philadelphia, PA 19102

Matthew Bowman, Executive Director  
Sinking Fund Commission  
Municipal Services Building, 6<sup>th</sup> Floor  
1401 John F. Kennedy Boulevard  
Philadelphia, PA 19102

Appropriations:

**Finance**

General Fund	\$1,699,914,910
Water Fund	143,046,760
Special Gasoline Tax Fund	1,000,000
Grants Revenue Fund	1,000,000,000
Aviation Fund	69,407,755
Community Development Fund	24,973,268
Acute Care Hospital Fund	343,408
Budget Stabilization Fund	34,276,000
Capital Fund	58,229,000
Total Finance	<u>\$3,031,191,101</u>

**Sinking Fund Commission**

General Fund	\$ 282,632,431
Water Fund	203,122,357
Aviation Fund	138,778,094
Car Rental Tax Fund	7,000,000
Total Sinking Fund	<u>\$ 631,532,882</u>

Total Appropriations	<u>\$3,662,723,983</u>
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Estimated Revenues:

**Finance**

Non-Tax Revenue	\$ 13,760,000
From Other Governments	1,653,311,000
Revenue From Other Funds	54,080,000
Total Estimated Revenues	<u>\$1,721,151,000</u>

Number of Full Time Employees:

**Finance**

Civil Service	74
Exempt	45
Total Employees	<u>119</u>



Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>The department's petty cash fund had still not been properly reconciled.</u> During our review of the department's petty cash records, we noted that the bank and fund reconciliations were not properly prepared. The following items were erroneously recorded in the bank and fund reconciliations:</p> <ul style="list-style-type: none"> <li>The ending book balance from the bank reconciliation exceeded the ending balance of the checkbook by \$1,587.</li> <li>The reconciled cash balance from the bank reconciliation exceeded the cash balance in the fund reconciliation by \$271.</li> </ul>	<p>Failure to properly reconcile the account increases the risk that errors or irregularities may occur and not be detected. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure that monthly petty cash bank and fund reconciliations are properly prepared in accordance with standard accounting procedures of the city's Finance Office [103519.01].</p>	<p>Due to an administrative oversight, a duplicate petty cash replenishment voucher was created and approved. While trying to correct the duplicate deposit by reversing the duplicate amount, more funds were removed from the bank account than needed. The team is working on the adjusting entries and a reversal to bring the account back into balance. Management will continue to ensure that petty cash bank and fund reconciliations are prepared timely and accurately.</p>
<p><b>IMPREST FUNDS</b></p> <p><u>Monthly imprest account's bank and fund reconciliations had not been performed in a timely manner.</u> During our testing of the Workers' Compensation Fund for the period of July 2020 through June 2021, we noted that three bank reconciliations for its Risk Management account and four bank reconciliations for its Risk Funding account were not performed in a timely manner. Also, we noted that four of the 12 fund reconciliations were not prepared in a timely manner.</p>	<p>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 imprest fund balance may not be accounted for.</p>	<p>Management should ensure the monthly imprest account's bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [103521.01].</p>	<p>Risk Management has created a schedule, which has been agreed to by both the preparer of the bank reconciliations and the reviewer, in place in order to complete and submit the reconciliations by the 20th of each month. Management will make every effort to ensure imprest bank and fund reconciliations are completely timely and accurately.</p>
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee evaluations were not recently performed.</u> The department could not provide recent performance evaluations for two out 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 [103521.02].</p>	<p>The department agrees that one of the evaluations was not submitted timely and will continue to reinforce and follow-up with the employee's supervisor to ensure all required evaluations are submitted timely.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response (continued)
			<p>We disagree that the other employee's evaluation was submitted late. The employee was promoted in August and the employee's second-month probationary evaluation was completed and submitted on September 21, 2021. Therefore, an annual evaluation due on October 1, 2021 was not applicable. Finance recognizes the importance of creating advancement opportunities for employees and will continue to mandate the timely preparation of annual employee evaluations for all civil service employees.</p> <p><b>[Controller's Office Evaluation of Department's Response:</b> While the employee's second-month probationary evaluation submitted on September 21, 2021 did eliminate the need for a calendar year 2021 annual evaluation, the department did not provide us with the employee's calendar year 2020 annual evaluation due on October 1, 2020, which was the evaluation that was due during our audit testing period of fiscal year 2021.]</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
Documentation supporting and authorizing employee leave time was still not routinely prepared. The department was unable to provide properly approved leave requests for three out of 13 sample dates selected for testing. These three dates pertained to one employee who used three consecutive vacation days, the leave request for which was prepared and approved after we requested it.	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 [103520.09].	The department will continue to reinforce the necessity for employees to request supervisor approval in advance of planned time off, or in a timely manner after returning to work in the case of an unplanned absence.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p>Finance Office management approved the issuance of procurement cards (p-cards) to city departments without establishing proper internal controls.<sup>1</sup> To assist with COVID-19 emergency purchasing needs, the Finance Office approved the issuance of p-cards to the Department of Public Health (DPH) and the Office of Emergency Management (OEM), a division under the Office of the Managing Director (MDO), 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 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:</p> <ul style="list-style-type: none"> <li>Although the standard process for imprest funds is for a department's expenditures to be charged against the imprest bank account, 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</li> </ul>	<p>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.</p> <p>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.</p>	<p>To improve internal controls over p-card activity, we recommend that Finance Office management ensure that the following planned actions are implemented:</p> <ul style="list-style-type: none"> <li>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].</li> <li>Require that DPH and OEM submit reimbursement vouchers for the p-card charges paid from the General Disbursement Account. Once the vouchers are approved,</li> </ul>	<p>Our current review noted that the department implemented the planned actions stated in recommendation numbers 103520.01, 103520.02, and 103520.03. Regarding the issue of untimely submission of reimbursement vouchers and monthly fund and bank reconciliations as stated in recommendation numbers 103520.02 and 103520.04, we reported in the DPH's Findings and Recommendations section that the DPH had corrected this prior year finding while, in the MDO's Findings and Recommendations section, we commented that the MDO still did not prepare the imprest account's reimbursement vouchers and reconciliations in a timely manner. Given that (1) the DPH's untimely submission of reimbursement vouchers and reconciliations was the more significant problem in the prior year finding because of the resulting overspending beyond its approved limit; (2) the DPH has corrected this</p>

<sup>1</sup> The prior year finding presented is a shortened version of the original finding, which appeared in the fiscal year 2020 Annual Auditor's Report on Philadelphia City Departments.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p>(continued)</p> <p>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,<sup>2</sup> in violation of Home Rule Charter Section 8-101.</p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>SAPs No. 7.1.3.a, <i>Fund Reconciliation for Petty Cash and Imprest Funds</i>, and No. 7.1.3.b, <i>Reconciliation of All Bank Accounts in All City Agencies</i>, 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</li> </ul>		<p>(continued)</p> <p>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].</p> <ul style="list-style-type: none"> <li>Revise the p-cards from a revolving balance to a declining balance set to the imprest fund balance to prevent overspending [103520.03].</li> <li>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].</li> </ul> <p>Regarding the issue of not restricting the use of DPH’s p-cards to the employees to whom the cards were issued,</p>	<p>(continued)</p> <p>prior noted condition; (3) no overspending was noted for the OEM imprest fund; and (4) additional controls were put in place to prevent overspending with the implementation of recommendation numbers 103520.01 and 103520.03, we believe that sufficient improvement has been made to consider the prior year finding resolved for the Finance Office. Until resolved, the MDO’s untimely submission of the OEM imprest fund’s reimbursement vouchers and reconciliations will continue to be reported as a finding in the MDO’s Findings and Recommendations section.</p> <p>Implemented.</p>

<sup>2</sup> 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.

<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)</b>			
<b>Prior Observation/Condition</b>	<b>Risk/Potential Effect</b>	<b>Recommendation</b>	<b>Corrective Action</b>
<p><b>(continued)</b></p> <p>OEM p-card activity were completed timely. DPH did not complete its fund and bank reconciliations for March through June 2020 until August 26, 2020. The MDO management who handled the OEM account provided us with 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.</p> <ul style="list-style-type: none"> <li>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.</li> </ul>		<p><b>(continued)</b></p> <p>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].</p>	

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p>The department's imprest fund had still not been properly reconciled. 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.<sup>3</sup></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>Implemented.</p>
<p>Payroll attendance records were not authorized by appropriate supervisory personnel. 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>Implemented.</p>

<sup>3</sup> The \$15,443 net overage consisted of an overage of \$89,320 less a shortage of \$73,877.

City of Philadelphia  
Department of Revenue  
Findings and Recommendations  
Fiscal Year 2021

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.

<u>Name and address of department head</u>	<u>Appropriations:</u>		<u>Estimated Revenues:</u>	
Frank Breslin, Commissioner	General Fund	\$29,211,398	Tax Revenue	\$3,645,593,000
Department of Revenue	Water Fund	17,646,532	Non-Tax Revenue	676,637,000
Municipal Services Building, 6 <sup>th</sup> Floor	Grants Revenue Fund	23,000,000	From Other Governments	<u>31,353,000</u>
1401 John F. Kennedy Boulevard	Acute Care Hospital Fund	<u>45,000</u>	Total Estimated Revenues	<u>\$4,353,583,000</u>
Philadelphia, PA 19102	Total Appropriations	<u>\$69,902,930</u>		
			<u>Number of Full Time Employees:</u>	
			Civil Service	500
			Exempt	<u>78</u>
			Total Employees	<u>578</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<b>PETTY CASH</b>  <u>An overage existed in the department's General petty cash account.</u> During our review of the department's petty cash, we noted that the General account had an overage of \$1,355 because vendor refund checks were erroneously deposited into the petty cash bank account in September and November 2020. The vendor refund checks should have been deposited as revenue receipts with the Department of Revenue's Payment Processing Division. As of June 30, 2021, the overage had not yet been resolved.	Allowing the overage to remain in the petty cash account unnecessarily complicates the fund reconciliation process. Also, because the vendor refund checks were erroneously deposited in the petty cash account rather than as revenue receipts deposited with the Department of Revenue's Payment Processing Division, revenues in the city's FAMIS accounting system for fiscal year 2021 were understated by \$1,355.	We recommend that management draw a petty cash check payable to the city for the overage amount and deposit that check with the Department of Revenue's Payment Processing Division [103621.01].	The previous custodian deposited accounts payable refunds in the petty cash account in error. Checks were written from the petty cash account to the city to correct the error. Custodians will be trained to verify the origin of cash/check receipts to ensure that any future reimbursements are deposited to the correct source.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the third year, we are reporting that the department failed to segregate responsibilities for the physical custody and operation of the department's three petty cash funds.</u> The same individual was the custodian responsible for all three of the department's petty cash accounts (General, Water Revenue, and Legal Services).</p>	<p>Failure to assign a different individual as custodian for each of the three petty cash funds creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a different individual as custodian for each of the three petty cash accounts. An Agency Request for Petty Cash and Imprest Changes form should be submitted to the Finance Office, listing the individual who is responsible for each of the petty cash accounts [103618.01].</p>	<p>Due to high turnover and challenges filling vacancies over the last several fiscal years, it was difficult to fully segregate responsibilities for the physical custody and operation of the three petty cash funds. When new staff start later this month, funds will be assigned to different custodians. The department has been successful in segregating the bank and fund reconciliation preparation and review processes and will continue to segregate these duties.</p>
<p><u>For the fifth year, we are reporting that long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> For the Legal Services account, checks outstanding more than a year totaling \$208, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in standard accounting procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order for all checks outstanding for more than a year and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all the long outstanding checks in accordance with standard accounting procedures of the city's Finance Office [103616.02].</p>	<p>This has been implemented. In FY22, the department began reviewing bank reconciliations monthly to identify outstanding checks that should be classified as unclaimed monies. Once found, appropriate steps to request stop payments are made and funds are deposited to the city's Unclaimed Monies Fund per Finance's standard accounting procedures. Since implementing the new process, three deposits have been made to the Unclaimed Monies Fund in FY22.</p>
<p><b>PERSONAL PROPERTY</b></p> <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 personal property database, we noted 1,456 items, valued at \$3,017,891, 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</p>	<p>The department is now reviewing the inventory report throughout the fiscal year and will work with Procurement to ensure that items identified as "cannot be located" are removed from the city's database.</p>



Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
		<p><b>(continued)</b></p> <p>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 [103621.02].</p>	
<p><b>PERSONAL SERVICES</b></p> <p><u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> For three of five employees tested, the department was unable to provide formal approved leave requests for four out of nine 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 [103620.01].</p>	<p>Payroll will closely monitor leave request slips and identify employees who have not submitted approval. If a leave request or overtime authorization is not provided after payroll closes, employees may have their time retro adjusted until the slips are received.</p>
<p><u>City sick leave policy was still 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 \$15,058, broken down as follows:</p> <ul style="list-style-type: none"> <li>None of the five civil service employees tested, who each used over eight days of undocumented sick leave during calendar year 2020, 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</li> </ul>	<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.<sup>1</sup></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>During the 1<sup>st</sup> year of the pandemic (2020), it was difficult for employees to obtain doctor's notes due to an overwhelming demand on the healthcare system. The city reinstated the sick leave policy on September 28, 2020; however, it was difficult to enforce the policy in the early phases of the reinstatement due to staffing challenges and a number of employees who were required to quarantine due to COVID screening results. With faster and more accessible COVID testing, and the latest OnePhilly update that generates sick</p>

<sup>1</sup> According to our analysis of uncertified sick leave data from the city's OnePhilly payroll system, there were 10 employees who used 8 or more undocumented sick days during calendar year 2020. Our analysis excluded undocumented sick leave taken from March 18, 2020 through September 27, 2020 since the city did not require medical certificates for sick leave used during that period due to the COVID-19 pandemic.

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 \$14,429 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. Lastly, for these five employees, the department was unable to provide the supporting medical certificates for 10 of 24 sick leave occasions reported as certified in the city's online payroll system.</p> <ul style="list-style-type: none"> <li>• Our analysis of calendar year 2020 uncertified sick leave data from the city's OnePhilly payroll system disclosed an additional two civil service employees who were improperly paid a total of \$629 for uncertified sick leave used after the eighth undocumented sick day.</li> </ul>			<p>(continued)</p> <p>abuse notes automatically, we do not expect this error to continue. An HR professional 2 partners with the payroll supervisor to enforce the sick leave policy and discipline for violating the policy.</p> <p><b>[Controller's Office Evaluation of Department's Response:</b> Regarding the department's statement that "the city reinstated the sick leave policy on September 28, 2020," our testing of the department's compliance with the city's sick leave policy excluded all undocumented sick leave taken from March 18, 2020 through September 27, 2020, which was the period that the city did not require medical certificates for sick leave used due to the COVID-19 pandemic.]</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Monthly petty cash fund reconciliations were not prepared in a timely manner.</u> During our review of the department's petty cash records for the Legal Services account, we noted that two of the eleven fund reconciliations selected for testing were not performed in a timely manner.	Failure to timely perform monthly fund reconciliations 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 monthly petty cash fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [103619.01].	Implemented.
<u>The department's petty cash fund has not been properly reconciled.</u> During our review of the department's petty cash records, we noted that the bank reconciliations were not properly prepared. The following items were erroneously recorded in the bank reconciliation: <ul style="list-style-type: none"><li>• The beginning balance per books, receipts and other increases for the period, checks drawn and other decreases, and ending balance per books from the bank reconciliation did not agree to the amounts in the checkbook for the Legal Services account.</li><li>• The beginning balance per books and ending balance per books from the bank reconciliation did not agree to the amounts in the checkbook for the General account.</li></ul>	Failure to reconcile the account properly increases the risk that errors or irregularities may occur and not be detected.	Management should ensure that monthly petty cash bank reconciliations are properly prepared in accordance with standard accounting procedures of the city's Finance Office [103619.02].	Implemented.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>The department did not maintain proper documentation for the removal of personal property items.</u> During our testing of disposed personal property items, we noted that the Revenue Department failed to provide the Procurement Department with the proper documentation required for the removal of disposed personal property items. The department could not provide disposal forms, signed authorizations, or settlement reports supporting the five disposed items, valued at \$9,013, we selected for testing.	Failure to provide the proper documentation for disposed, lost/stolen, or transferred personal property items increases the risk of misappropriation and could result in an inaccurate valuation of the department's assets in the personal property database.	Management should ensure that disposed, lost/stolen, or transferred items are supported with the proper documentation and sent to the Procurement Department, in order for the city's database to be updated [103619.03].	Implemented.

City of Philadelphia  
Procurement Department  
Findings and Recommendations  
Fiscal Year 2021

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.

<u>Name and address of department head</u>	<u>Appropriations:</u>		<u>Estimated Revenues:</u>	
Monique Nesmith-Joyner, Commissioner	General Fund	\$4,760,336	Non-Tax Revenues	<u>\$380,000</u>
Procurement Department	Water Fund	<u>110,515</u>		
120 Municipal Services Bldg.	Total Appropriations	<u>\$4,870,851</u>		
1401 John F. Kennedy Boulevard			<u>Number of Full Time Employees:</u>	
Philadelphia, PA 19102 - 1685			Civil Service	32
			Exempt	<u>5</u>
			Total Employees	<u>37</u>

Observation / Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL PROPERTY</b></p> <p><u>Disposed property was not properly removed from the Procurement Department's Personal Property database.</u> During our review of the city's database, we noted that all five personal property sample items that were disposed by the Police Department were not removed from the database. While the Police Department performed the proper procedures for the disposal of obsolete personal property items, the Procurement Department failed to remove the items from the database.</p>	<p>Failure to maintain accurate records increases the risk of misstating personal property inventory values.</p>	<p>Management should ensure that the city's database is accurately maintained and reflects an up-to-date record of inventory. Disposed items for which departments have submitted the required documentation should be timely removed from the department's records as well as the city's database. The Procurement Department should work with other departments to periodically reconcile the city's database to departmental records [103818.01].</p>	<p>Due to the COVID 19 pandemic Procurement did not have an annual reconciliation of the c400 inventory. The reconciliation process would have caught the items that were not disposed of at the time of disposal. We have resumed the reconciliation process this year. Procurement will now catch any missed disposed items when reconciling the department's submitted reports.</p>

Observation / Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee overtime was still not properly authorized.</u> Overtime was paid without written approval from management. The department was unable to provide approved overtime authorization forms for any of the 24 sample overtime dates we selected for testing. For 16 sample dates, we were provided with e-mails in which overtime was approved for two assignments that management asserted covered the overtime worked on those dates. However, these e-mails did not include the specific employees, dates, and total overtime hours authorized. Regarding the other eight sample dates, management stated that the overtime was verbally approved.</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 [103820.01].</p>	<p>The Procurement Department will ensure that all departmental overtime requests are received via email and contain all pertinent individualized details for approval. Information will include employee name, reason for overtime, requested date(s) and hour(s). Procurement will ensure that overtime approval emails are maintained and archived for future reference. The department will continue to follow-up with overtime approval in OnePhilly.</p>

City of Philadelphia  
Office of the City Treasurer  
Findings and Recommendations  
Fiscal Year 2021

## 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.

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

\$1,583,938

Estimated Revenues:

Non-Tax Revenues	\$10,757,000
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From Other Governments	4,739,000
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Total Estimated Revenues	\$15,496,000
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Number of Full Time Employees:

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Civil Service
9

Exempt	<u>7</u>
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Total Employees	16
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Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>CASH</b></p> <p><u>For the fourth consecutive year, we are reporting that long outstanding payroll checks were not properly escheated to the state.</u> Our testing still noted noncompliance with Pennsylvania’s Disposition of Abandoned and Unclaimed Property Act (escheat act). The Office of the City Treasurer failed to transfer \$1,522,033 of outstanding payroll checks from calendar year 2019 and prior into the City of Philadelphia’s Unclaimed Monies Fund,<sup>1</sup> as required by the city’s standard accounting procedures (SAPs) No. 4.1.2. and 7.1.3.b. Out of the \$1,522,033 in outstanding payroll checks, \$712,807 related to calendar year 2018 and prior was due to be escheated to the state in fiscal year 2021.</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 agree with the finding. We have made significant progress and we expect to complete escheatment in FY23.</p>

<sup>1</sup> The Unclaimed Monies Fund is administered by the Finance Office which 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><b>PERSONAL SERVICES</b></p> <p><u>Payroll attendance records were still not being properly authorized by supervisory personnel.</u> In our review of attendance records for five employees, we found that records for two employees were not approved by Treasurer's supervisory personnel. For these two employees, we noted that, for four out of eight selected bi-weekly pay periods, the attendance records, which are maintained electronically in the city's OnePhilly payroll system, were approved by either a payroll supervisor or payroll examiner in the Finance Office's Central Payroll Division.</p>	<p>Employees may erroneously be paid for time not worked or fail to be paid for time that was worked.</p>	<p>Appropriate supervisors should review and formally approve time worked by employees [104020.01]. Also, the Finance Office's Administrative Services Center, which is responsible for processing the Treasurer's payroll, should be required to review the employee attendance records for evidence that the appropriate approval was obtained [104020.02].</p>	<p>We acknowledge this finding and will remind supervisors to review and approve time worked by their staff and remind timekeepers in the Administrative Services Center to review attendance records for approvals and utilize the assume time reconciliation process in instances where supervisory approvals are not obtained.</p>
<p><u>Employee overtime was still not properly authorized.</u> Overtime was paid without written approval from management. For four out of five employees selected for testing, we noted that overtime authorization forms were not properly prepared. Specifically, of the 18 sample dates tested, we noted the following:</p> <ul style="list-style-type: none"> <li>For three sampled dates, the number of overtime hours for which the employee was paid exceeded the number of overtime hours that the employee was approved to work.</li> <li>For one sampled date, the department could not provide the overtime authorization form.</li> <li>For another sampled date, the overtime authorization form was not approved by a supervisor.</li> </ul>	<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 [104017.01].</p>	<p>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 overtime authorization forms.</p>



CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<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"><li>• The department was unable to provide leave requests for six days.</li><li>• The leave requests for three days were not approved by a supervisor until after we requested them.</li><li>• The leave request for one date did not indicate supervisory approval.</li><li>• For another day, a request for vacation leave was submitted and approved after the leave was taken.</li></ul>	<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>Implemented.</p>

City of Philadelphia  
Office of the Director of Commerce\*  
Findings and Recommendations  
Fiscal Year 2021

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. In fiscal year 2021, Commerce's estimated tax revenues and appropriations for the Hotel Tax Fund decreased by \$20.9 million because of reduced taxes levied on hotel rooms due to the COVID-19 pandemic. Also, in fiscal year 2021, Commerce's Capital Fund budget increased by \$29 million primarily due to additional appropriations for the Schuylkill River waterfront improvements.

Name and address of department head

Anne K. Nadol  
Director of Commerce  
1515 Arch Street – 12<sup>th</sup> Floor  
Philadelphia, PA 19102

Appropriations:

General Fund	\$ 21,652,148
Hotel Tax Fund	56,623,000
Grants Revenue Fund	10,175,000
Community Development Fund	11,152,625
Capital Fund	<u>184,251,000</u>
Total Appropriations	<u>\$283,853,773</u>

Estimated Revenues:

From Other Governments	\$21,327,000
Hotel Room Rental Tax	<u>56,623,000</u>
Total Estimated Revenues	<u>\$77,950,000</u>

Number of Full Time Employees:

Civil Service	8
Exempt	<u>45</u>
Total Employees	<u>53</u>

Observation / Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>Monthly petty cash bank and fund reconciliations have still not been performed in a timely manner.</u> During our review of the department's petty cash records, we noted that five of the eight bank and fund reconciliations selected for testing were not prepared timely.</p>	<p>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.</p>	<p>Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [104215.01].</p>	<p>In FY2021, the Department of Commerce and all city departments were working remotely due to the COVID-19 pandemic. Bank statements previously arrived via postal mail by the 15th of each month. During the pandemic, we did not receive bank statements on time to reconcile the account within a 30-day window. However, it was completed around 45 days. Beginning FY2022, Commerce transitioned to electronic bank statements and all monthly bank reconciliations have been completed on time since then.</p>

Observation / Condition	Risk/Potential Effect	Recommendation	Department's Response
<b>PERSONAL SERVICES</b>  <u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> Commerce management informed us that the department no longer uses the written leave request forms and instead requires that employee leave requests be approved by supervisors through e-mail. For four of nine sample days tested for five selected employees, we observed e-mails in which supervisors approved the requested leave. However, for the other five sample days, the department was unable to provide any support to document that a supervisor approved the requested leave.	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 [104219.01].	All staff must obtain supervisor pre-approval in writing for leave time requests. As we await the implementation of OnePhilly's absence management module, employees were instructed to send all leave requests to their supervisor via e-mail. Unfortunately, not all e-mails were archived due to the city's 50-day e-mail retention policy. In FY2022, Commerce implemented a digital transformation and change management initiative to automate employee leave time requests and pre-approvals, eliminating the need to manually track any documentation to support that a supervisor approved the requested leave.
<b>CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS</b>			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Duties for preparing fund reconciliations were not adequately segregated.</u> During our review of the department's petty cash funds, we noted that the petty cash custodian prepared all nine of the petty cash fund reconciliations tested.	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign a person other than the petty cash custodian to prepare the monthly fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [104215.02].	Implemented.

City of Philadelphia  
Division of Aviation\*  
Findings and Recommendations  
Fiscal Year 2021

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 is appointed by the mayor, and four deputy directors manage the department. In fiscal year 2021, there was a \$ 35.5 million decrease in Aviation Fund appropriations and a \$150.9 million decrease in estimated non-tax revenues primarily due to the COVID-19 pandemic and resulting restrictions which disrupted airport activity and passenger traffic, leading to the DOA's implementation of several cost reduction measures. Also, in fiscal year 2021, there was a \$64.9 million increase in estimated revenues from other governments due to federal Coronavirus Aid, Relief, and Economic Security Act funding.

Name and address of department head

Keith Brune, Acting Chief Executive Officer  
Division of Aviation  
Philadelphia International Airport  
Terminal D, Third Floor  
Philadelphia, PA 19153

Appropriations:

Aviation Fund	\$163,726,534
Capital Fund	<u>446,450,000</u>
Total Appropriations	<u>\$610,176,534</u>

Estimated Revenues:

Non-Tax Revenues	\$344,801,000
From Other Governments	67,826,000
From Other Funds	<u>1,577,000</u>
Total Estimated Revenues	<u>\$414,204,000</u>

Number of Full Time Employees:

Civil Service	689
Exempt	<u>25</u>
Total Employees	<u>714</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>For the eighth consecutive year, we are reporting that the city's sick leave policy was not properly enforced.</u> The DOA did not enforce the city's sick leave policy for two of the five civil service employees selected for testing, both of whom used eight undocumented sick days during calendar year 2020. For these two employees, although the DOA issued eighth-day letters notifying them of placement on the Excessive Use of Sick Leave List, the DOA later incorrectly rescinded one employee's</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.<sup>1</sup></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 employee counseling and any subsequent sanctions set forth in the policy, be enforced by management [104313.13].</p>	<p>The process for sick abuse has been automated as of January 1, 2022, by the OnePhilly system. This will address many of the issues as notification is sent directly to an employee's supervisor. Employee Relations Unit is currently reviewing the sick abuse for accuracy and correction.</p>

<sup>1</sup> According to our analysis of uncertified sick leave data from the city's OnePhilly payroll system, there were 4 employees who used 8 undocumented sick days during calendar year 2020. Our analysis excluded undocumented sick leave taken from March 18, 2020 through September 27, 2020 since the city did not require medical certificates for sick leave used during that period due to the COVID-19 pandemic.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <p>placement while the letter for the other employee was issued over two months after the eighth undocumented sick day. These two employees 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 \$4,445 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 the five employees tested, the department was unable to provide the supporting medical certificates for six of 31 sick leave occasions reported as certified in the city's online payroll system.</p>			<p><b>(continued)</b></p> <p><b>[Controller's Office Evaluation of Department's Response:</b> Regarding the department's statement that "the process for sick abuse has been automated as of January 1, 2022, by the OnePhilly system," we observed that the OnePhilly system's automation of sick abuse monitoring went live in March 2022 and was retroactively adjusted to be effective as of January 1, 2022.]</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Monthly bank reconciliations lacked evidence of approval.</u> During our review of the department's petty cash funds, we noted that none of the 11 bank reconciliations tested had any indication that they were reviewed by the responsible person.</p>	<p>Failure to review reconciliations increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a third person other than the custodian and preparer to review the reconciliation. This review should be evidenced by a signature in accordance with the standard accounting procedure of the city's Finance Office [104319.01].</p>	<p>Implemented.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<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>Implemented.</p>
<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 – an 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>Implemented.</p>

City of Philadelphia  
Law Department  
Findings and Recommendations  
Fiscal Year 2021

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.

Name and address of department head

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

Appropriations:

General Fund	\$15,014,106
Water Fund	3,304,958
Aviation Fund	1,286,681
Community Development Fund	<u>195,573</u>
Total Appropriations	<u>\$19,801,318</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	27
Exempt	<u>148</u>
Total Employees	<u>175</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>An overage still existed in the department's petty cash account.</u> During our review of the department's petty cash account, we noted that the fund had a net overage of \$2,424, which consisted of the following:</p> <ul style="list-style-type: none"> <li>An overage of \$2,542 caused by voided checks that the department had previously submitted for reimbursement.</li> <li>A shortage of \$118 for which the department was unable to provide any documentation that would enable us to determine the cause of the shortage.</li> </ul>	<p>Failure to investigate and properly resolve shortages or overages on petty cash reconciliations increases the risk that missing funds will remain unrecovered or that overages will be misappropriated.</p>	<p>We recommend that management draw a petty cash check payable to the city for the overage amount and deposit that check with the Department of Revenue's Payment Processing Division [104421.01]. For the shortage, it should be evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [104419.01].</p>	<p>During fiscal year 2021, due to COVID-19, quarantine, and staff transition within the Administrative Services Unit (ASU), oversight of the department's petty cash account was impacted.</p> <p>Law Department ASU leadership has evaluated our petty cash account and will comply with the Finance Office's standard accounting procedures. A check payable to the city's Unclaimed Monies Fund will be issued to the Department of Revenue's Payment Processing Division to rectify this finding.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> During our review of the department's petty cash records, we noted that all seven bank and fund reconciliations tested were not performed 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 petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [104421.02].	This deficiency has been noted, and moving forward, all bank and fund reconciliations will be submitted in a timely manner, with a target of submission by or before the end of the subsequent month, in accordance with the Finance Office's standard accounting procedures.
<u>Monthly bank and fund reconciliations lacked evidence of approval.</u> During our review of the department's petty cash fund, we noted that three out of the seven bank and fund reconciliations tested did not have any indication that they were reviewed by the responsible person.	Failure to review bank and fund reconciliations increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign a third person other than the custodian and preparer to review the reconciliation. This review should be evidenced by a signature in accordance with the standard accounting procedures of the city's Finance Office [104421.03].	This deficiency has been noted, and moving forward, bank and fund reconciliations will be reviewed, and signed as approved, by the responsible persons, in accordance with the Finance Office's standard accounting procedures.
<u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Checks outstanding more than a year, dating back to 2018, totaling \$3,066, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in standard accounting procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.	Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.	We recommend that management place a stop payment order for each long outstanding check and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [104421.04].	Law Department ASU leadership has evaluated our petty cash account and will comply with the Finance Office's standard accounting procedures. A check payable to the city's Unclaimed Monies Fund will be issued to rectify this finding.
<b>PERSONAL SERVICES</b>  <u>Employee overtime was not always properly authorized and documented.</u> In our review of the department's overtime records, we noted that the department did not always properly authorize and document overtime worked.	Failure to maintain supporting documentation and allowing employees to work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized	Management should enhance controls over payroll by ensuring that all overtime is properly documented and approved in writing by supervisory personnel [104421.05].	Overtime pay is rarely to never incurred by Law Department staff. However, the 2020 election cycle changed this with staff assisting the City Commissioner's Office.



Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <p>Specifically, for six out of the 17 sample dates selected for testing, we noted the following:</p> <ul style="list-style-type: none"><li>• In four instances, employees worked overtime at the City Commissioners Office to assist with the 2020 election. However, the Law Department, which was responsible for reviewing and approving the employees' timecards in which the overtime was recorded, was unable to provide any documentation to support the overtime worked.</li><li>• For two sample dates, the department could not provide an approved overtime authorization form.</li></ul>	<p><b>(continued)</b></p> <p>discretionary overtime may result in lax work habits during the normal workday, resulting in a loss of efficiency.</p>		<p><b>(continued)</b></p> <p>Also, please note that Law, like all other City agencies, was transitioning to remote work during the period being captured by this audit, which speaks to the inconsistency in documentation.</p> <p>Moving forward, all overtime will be properly documented and approved in writing by supervisors, as per this recommendation.</p>
<p><u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> For three out of five employees tested, leave requests were not properly prepared for seven out of nine dates selected for testing. Specifically, we noted the following:</p> <ul style="list-style-type: none"><li>• For six sample dates involving two employees, the leave requests provided by the department were prepared and approved after we requested the documents.</li><li>• For one sample date involving the other employee, the department was unable to provide a formal approved leave request.</li></ul>	<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 regularly reminded and required to submit this information. We will continue to stress the importance of preparing, and collecting leave documentation to staff and senior management, respectively.</p> <p>Also, please note that Law, like all other City agencies, was transitioning to remote work during the period being captured by this audit, which speaks to the inconsistency in documentation.</p>

City of Philadelphia  
Board of Ethics  
Findings and Recommendations  
Fiscal Year 2021

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.

Name and address of department head

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

Appropriations:

General Fund

\$975,196

Estimated Revenues:

Non-Tax Revenue

\$160,000

Number of Full Time Employees:

Civil Service

3

Exempt

6

Total Employees

9

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 the Inspector General  
Findings and Recommendations  
Fiscal Year 2021

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.

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      \$1,575,681

Estimated Revenues:  
Non-Tax Revenue      \$40,000

Number of Full Time Employees:  
Exempt      18

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 Sustainability  
Findings and Recommendations  
Fiscal Year 2021

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, stormwater 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.

<u>Name and address of department head</u>	<u>Appropriations:</u>		<u>Estimated Revenues:</u>	
Christine Knapp, Director	General Fund	\$1,203,180	Non-Tax Revenue	\$135,000
Office of Sustainability	Water Fund	93,874	From Other Governments	<u>90,000</u>
One Parkway Building	Grants Revenue Fund	225,000	Total Estimated Revenues	<u>\$225,000</u>
1515 Arch Street, 13 <sup>th</sup> Floor	Aviation Fund	87,873		
Philadelphia, PA 19102	Capital Fund	<u>1,999,000</u>	<u>Number of Full Time Employees:</u>	
	Total Appropriations	<u>\$3,608,927</u>	Exempt	<u>10</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<b>PERSONAL SERVICES</b>  <u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> Out of six sample days tested for three selected employees, the Office of Sustainability was unable to provide formally approved leave requests in five instances. While we observed the e-mails sent by the employees to request leave for those five instances, the department was unable to provide support to document that the leave requests were approved by a supervisor.	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  
The Free Library of Philadelphia\*  
Findings and Recommendations  
Fiscal Year 2021

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.

Name and address of department head  
Kelly C. Richards, President and Director  
The Free Library of Philadelphia  
1901 Vine Street  
Philadelphia, PA 19103-1189

Appropriations:  
General Fund \$39,650,733  
Grants Revenue Fund 8,423,500  
Capital Fund 5,600,000  
Total Appropriations \$53,674,233

Estimated Revenues:  
Non-Tax Revenue \$ 775,000  
From Other Governments 8,424,000  
Total Estimated Revenues \$9,199,000

Number of Full Time Employees:  
Civil Service 641  
Exempt 4  
Total Employees 645

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Employee overtime was not properly authorized.</u> In our review of the department's overtime records, we noted that overtime authorization forms were not properly prepared for four of the five employees tested. Specifically, for 16 out of the 25 dates selected for testing, we noted the following:</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 and overtime authorization forms indicate the number of overtime hours the employee is approved to work [105221.01].</p>	<p>The Free Library uses an approval process for OT. This will be addressed with the specific employees or library units identified as not following procedure.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <ul style="list-style-type: none"> <li>For 14 of the 16 dates which involved three employees, we were provided approved overtime authorization forms. However, the documents did not indicate the number of overtime hours that the employees were approved to work.</li> <li>For the other two dates which involved two employees, the department was unable to provide an approved overtime authorization form.</li> </ul> <p>The 16 instances for which overtime authorization forms were not properly prepared pertained to four employees – an administrative services supervisor, a librarian, and two departmental payroll clerks – who, during fiscal year 2021, earned a combined \$64,956 in overtime, which represented 16 percent of the department's total overtime expenditures for the year.</p>			
<p>For the fourth consecutive year, we have reported that the city sick leave policy was not properly enforced. The department's failure to enforce the city's sick leave policy resulted in its employees being improperly paid a total of \$23,653, broken down as follows:</p> <ul style="list-style-type: none"> <li>None of the five civil service employees tested, who each used over eight days of undocumented sick leave during calendar year 2020, were placed</li> </ul>	<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.<sup>1</sup></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 [105218.01].</p>	<p>As of March 11, 2022, OnePhilly is now automatically sending out notices based on Collective Bargaining Agreements and other internal policies that govern the workforce. This OnePhilly enhancement has enabled better tracking of sick abuse and the enforcement of the sick leave policy.</p>

<sup>1</sup> According to our analysis of uncertified sick leave data from the city's OnePhilly payroll system, there were 45 employees who used 8 or more undocumented sick days during calendar year 2020. Our analysis excluded undocumented sick leave taken from March 18, 2020 through September 27, 2020 since the city did not require medical certificates for sick leave used during that period due to the COVID-19 pandemic.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <p>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 \$13,321 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 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.</p> <ul style="list-style-type: none"> <li>• Our analysis of calendar year 2020 uncertified sick leave data from the city's OnePhilly payroll system disclosed an additional 30 civil service employees who were improperly paid a total of \$10,332 for uncertified sick leave used after the eighth undocumented sick day.</li> </ul>			

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>For the fifth consecutive year, we have reported that payroll attendance records were not properly authorized by supervisory personnel.</u> During our review of 50 daily attendance records, we noted 23 instances where the individual approving the daily timesheet approved his/her own time.</p>	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 [105217.01].	The Free Library rolled out the use of Oracle Time and Labor Employee Self-service in March 2021 through June 2021. Moving forward paper timesheets will not be in use, and employees are restricted from approving their own time in the OnePhilly system. Therefore, this issue is resolved.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<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>	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 [105220.01].	Implemented.
<p><u>An overage existed in the department's petty cash account.</u> During our review of the department's petty cash fund, we noted an unexplained overage of \$276.</p>	Failure to properly reconcile the account increases the likelihood that receipts and invoices can be lost, complicating the reimbursement process. Failure to investigate shortages or overages on petty cash reconciliations increases the risk that missing funds will remain unrecovered or that overages will be misappropriated.	If any overages or shortages exist, they should be evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [105219.01].	Implemented.
<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>	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 [105218.02].	Implemented.



City of Philadelphia  
Commission on Human Relations\*  
Findings and Recommendations  
Fiscal Year 2021

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.

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      \$2,422,973

Estimated Revenues:

From Other Governments      \$125,000

Number of Full Time Employees:

Civil Service      30  
Exempt      2  
Total Employees      32

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<b>PERSONAL SERVICES</b>			
<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 a formal approved leave request for four consecutive vacation days used.	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].	At the time of the audit, the supervisor of the employee in question (who was identified for both findings) approved leave and attendance records via email. Unfortunately, the supervisor left the city and CHR was unable to retrieve the email records of the supervisor. Since September 2021, employees are required to submit formal requests for leave time and accompanying documentation in

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
			<b>(continued)</b>  accordance with the city's procedures in advance of the date or dates of leave. Employees are not permitted to use leave time without approval. The CHR administrative officer monitors attendance records to ensure the appropriate approval for leave time and maintain copies of all records. CHR will continue to provide training pertaining to the city's Leave Policy.
<u>Payroll attendance records were not properly authorized by supervisory personnel.</u> For one of the five employees tested, we noted that the employee's weekly timesheets for the selected two-week pay period 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.	Someone at a higher level than the employees listed on the daily attendance records should review and formally approve them [105417.01].	At the time of the audit, the supervisor of the employee in question (who was identified for both findings) approved leave and attendance records via email. Unfortunately, the supervisor left the city and CHR was unable to retrieve the email records of the supervisor. Since September 2021, employees input their time utilizing the self-service feature in OnePhilly and each supervisor approves timecards accordingly. CHR provides ongoing training to supervisors regarding their obligation to review and formally approve all time sheets. The CHR administrative officer continually monitors attendance records to ensure the appropriate approval and maintain copies of all attendance records.

City of Philadelphia  
Office of Human Resources and Civil Service Commission  
Findings and Recommendations  
Fiscal Year 2021

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; enhancing leadership capacity of managers and supervisors; planning for current and future workforce needs; developing and implementing programs to improve employee capacity and human resource management in city government; maintaining accurate employee records, both electronic and paper-based; establishing and maintaining lists of candidates for civil service employment to supply on-going needs; promoting workforce diversity by conducting recruitment and developing outreach programs for disabled and minority job candidates; and developing health and welfare benefits and programs for employees. 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.

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

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

Appropriations:  
**Office of Human Resources**

General Fund \$6,237,735

**Civil Service Commission**  
General Fund

\$207,742

Estimated Revenues:

**Office of Human Resources**

Non-Tax Revenue \$2,000

Number of Full Time Employees:

**Office of Human Resources**

Civil Service 70

Exempt 5

Total Employees 75

**Civil Service Commission**

Civil Service 1

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>The department's petty cash fund had not been properly reconciled.</u> During our review of the department's petty cash records, we noted that the bank and fund reconciliations were not properly prepared. The following items were erroneously recorded in the bank and fund reconciliations:</p> <ul style="list-style-type: none"> <li>The ending book balance from the bank reconciliation exceeded the ending book balance of the checkbook by \$922.</li> <li>The reconciled cash balance from the bank reconciliation exceeded the cash balance in the fund reconciliation by \$682.</li> </ul>	<p>Failure to properly reconcile the account increases the risk that errors or irregularities may occur and not be detected. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure that monthly petty cash bank and fund reconciliations are properly prepared in accordance with standard accounting procedures of the city's Finance Office [105621.01].</p>	<p>The current practice has been reviewed, and new processes have been initiated to prevent future discrepancies.</p>
<p><u>Monthly petty cash fund reconciliations had not been performed in a timely manner.</u> During our review of the department's petty cash records, we noted seven of eight fund reconciliations tested were not performed in a timely manner. Three fund reconciliations were prepared over 50 days past the due date.</p>	<p>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 petty cash balance may not be accounted for.</p>	<p>Management should ensure that monthly petty cash fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [105621.02].</p>	<p>New processes have been implemented to help ensure that reconciliations are being completed in a timely manner.</p>
<p><u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Checks outstanding more than a year totaling \$469, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in standard accounting procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. In addition, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia-Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard procedures of the city's Finance Office [105621.03].</p>	<p>Unclaimed funds are being reviewed and processed.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>Monthly bank reconciliations still lacked evidence of approval.</u> During our review of the department's petty cash fund, we noted that all eight bank reconciliations tested did not have any indication that they were reviewed by the responsible person.	Failure to review bank reconciliations increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign a third person other than the custodian and preparer to review the bank reconciliations. This review should be evidenced by a signature in accordance with the standard accounting procedures of the city's Finance Office [105617.01].	A third person is being trained to review reconciliations and will sign off on their review of the bank reconciliations.
<b>IMPREST FUNDS</b>  <u>For the third consecutive year, we have reported that monthly imprest fund reconciliations have not been performed in a timely manner.</u> During our review of the department's Prescription Imprest Fund records, we noted that seven of the 12 fund reconciliations tested were not performed in a timely manner. Three 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].	New processes have been implemented to help ensure that reconciliations are being completed in a timely manner.
<b>PERSONAL SERVICES</b>  <u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> For the five employees tested, the department was unable to provide formal approved leave requests for all 6 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 [105621.04].	We have instructed managers and supervisors to provide either e-mail documentation or appropriate request forms to the department's timekeeper to document approval of leave.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>Employee overtime was not always properly authorized.</u> For seven of the 25 sample overtime dates selected for testing, the department was unable to provide the overtime authorization form. These seven instances pertained to two employees – a senior human resources analyst and a human resources professional – who, during fiscal year 2021, earned a combined total of \$27,787 in overtime, which represented 34 percent of OHR's total overtime expenditures for the year. On August 26, 2022, in response to the draft report, the department provided approved overtime authorization forms for five of the seven 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 [105621.05].</p>	<p>The current practice is to use authorizations and/or e-mails to approve OT and leave requests. In addition, the approval in Oracle Time and Labor (OTL) provides for documentation that the leave or OT has been approved. OT once worked, must be paid. The department would take appropriate action should an employee work without justification.</p> <p><b>[Controller's Office Evaluation of Department's Response:</b> The Finance Office's Standard Accounting Procedure (SAP) No. E-9011 (Rev. 2), <i>Daily Timekeeping Source Documents and Attendance Record-Keeping</i>, states that the authorization for overtime or compensatory time shall be approved by a unit supervisor. Supervisory approval of overtime hours entered into the OnePhilly system's OTL timecards after the overtime was performed is not sufficient documentation indicating the supervisory authorization for an employee to work overtime hours.]</p>
<p><u>Employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for two of the four 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 [105621.06].</p>	<p>We will institute a report to the director showing the timeliness of reports and will address with deputies to assure completion of said reports.</p>

City of Philadelphia  
Office of Property Assessment  
Findings and Recommendations  
Fiscal Year 2021

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.

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

\$16,101,293

Estimated Revenues:

Non-Tax Revenue

\$2,000

Number of Full Time Employees:

Civil Service

176

Exempt

14

Total Employees

190

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>Monthly petty cash bank and fund reconciliations were not prepared in a timely manner.</u> During our review of the department's petty cash records, we noted that six out of the nine bank and fund reconciliations tested were not performed in a timely manner. Two reconciliations were prepared over 50 days past the due date.</p>	<p>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 properly accounted for.</p>	<p>Management should ensure that monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [105921.01].</p>	<p>The OPA has corrected this condition by reassigning staff to this task. A monthly timetable has been set to make sure all needed documents are prepared in a timely manner.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Documentation supporting and authorizing employee leave time was not always prepared.</u> Out of eight sample days tested for five selected employees, the department was unable to provide properly approved leave requests in two instances.</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 [105921.02].</p>	<p>OPA will release an annual reminder to all supervisors regarding proper leave requests and authorization. Requests in the form of leave slips and e-mails will be added to the employee's file.</p>
<p><u>City sick leave policy was still not properly enforced.</u> The OPA did not properly enforce the city's sick leave policy for all five of the civil service employees selected for testing. None of the five employees, who each used eight or more days of undocumented sick leave during calendar year 2020, were placed on the Excessive Use of Sick Leave List. Three 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 \$6,738 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 sampled employees did not receive</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.<sup>1</sup></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>As of the beginning of CY 2022, the City of Philadelphia's Office of Human Resources (OHR) has fully implemented the automated sick abuse notification. This will assist OPA in the timely delivery of notifications. In addition, OPA has reassigned staff to do a bi-weekly review of the payroll records for the purpose of indicating and implementing any needed penalizations.</p>

<sup>1</sup> According to our analysis of uncertified sick leave data from the city's OnePhilly payroll system, there were 5 employees who used 8 or more undocumented sick days during calendar year 2020. Our analysis excluded undocumented sick leave taken from March 18, 2020 through September 27, 2020 since the city did not require medical certificates for sick leave used during that period due to the COVID-19 pandemic.



Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <p>a fifth-day warning letter. Also, for all five employees, the department failed to 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 four of 13 sick leave occasions reported as certified in the city's online payroll system.</p>			
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>An overage exists in the department's petty cash account.</u> Our review of the department's petty cash fund indicated an overage of \$104, confirmed through a petty cash verification count. The department was unable to provide an adequate explanation as to what caused the overage.</p>	<p>Failure to reconcile the petty cash fund indicates that errors or irregularities have occurred and remain undetected, and may also indicate that the fund is not being properly handled.</p>	<p>We recommend that the overage be evaluated by the appropriate supervisory level employee, as required by the standard accounting procedures of the city's Finance Office [105917.01].</p>	<p>Implemented.</p>
<p><u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Checks outstanding more than a year, totaling \$74.50, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2 requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [105916.01].</p>	<p>Implemented.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<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>Implemented.</p>

City of Philadelphia  
Board of Revision of Taxes  
Findings and Recommendations  
Fiscal Year 2021

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.

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

\$1,043,214

Estimated Revenues:

Non-Tax Revenue

\$1,000

Number of Full Time Employees:

Civil Service	3
Exempt	<u>12</u>
Total Employees	<u>15</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>The department's petty cash fund has not been properly reconciled.</u> During our current review, we noted that monthly reconciliations were not correctly prepared for the BRT's petty cash account as follows:</p> <ul style="list-style-type: none"> <li>Instead of being recorded on the balance per bank line on the bank reconciliation, the ending bank balance was incorrectly recorded on the line for erroneous bank debits.</li> <li>The fund reconciliation submitted by the department did not document the reconciliation of fund activity to the authorized amount. The only item reported on the fund reconciliation was the</li> </ul>	<p>Failure to accurately reconcile the account increases the risk that errors or irregularities may occur and not be detected. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure that monthly petty cash bank and fund reconciliations are properly prepared in accordance with standard accounting procedures of the city's Finance Office [106321.01].</p>	<p>The office had follow-up training on how to properly prepare bank and fund reconciliation forms. In addition, previously submitted forms have also been corrected. All petty cash has been and still is accounted for.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<b>(continued)</b>  authorized fund amount. The department failed to record the required fund reconciliation elements, such as the cash balance and unreimbursed disbursements, that should equal the authorized fund amount.			
<u>Duties for preparing the petty cash bank and fund reconciliations were not adequately segregated.</u> During our review of the department's petty cash funds, we noted that the custodian for the BRT's petty cash account prepared all 12 of the bank and fund reconciliations tested.	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign a person other than the petty cash custodian to prepare bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [106321.02].	The BRT is a very small department consisting of more board members than full time staff. However, we have trained a third person on how to prepare bank and fund reconciliations so the petty cash custodian is not involved in preparation of those reports.

City of Philadelphia  
Office of the Chief Administrative Officer  
Findings and Recommendations  
Fiscal Year 2021

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 seven 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 seven departments and offices that report to the CAO include: the Office of Innovation and Technology, Department of Records, Procurement Department, Human Resources and Talent, Office of Administrative Review, PHL Service Design Studio, and Strategic Transformation.

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

Appropriations:  
General Fund

\$6,333,779

Estimated Revenues:  
Non-Tax Revenue

\$10,320,000

Number of Full Time  
Employees:

Civil Service	14
Exempt	<u>45</u>
Total Employees	<u>59</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<b>PETTY CASH</b>  <u>Duties for reviewing the petty cash bank and fund reconciliations were not adequately segregated.</u> During our review of the department's petty cash fund, we noted that the petty cash custodian reviewed all seven of the bank and fund reconciliations tested.	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign a person other than the petty cash custodian to review bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [106519.01].	The department stated that corrective action was implemented.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<b>PERSONAL SERVICES</b>  <u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> For two of the five employees tested, the department could not provide formal approved leave requests for all six of the 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 [106521.01].	The department stated that corrective action was implemented.
<u>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.	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 [106521.02].	The department stated that corrective action was implemented.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>An unauthorized individual was responsible for the physical custody and operation of the department's petty cash fund.</u> The employee acting as the custodian for the department's petty cash fund was not the individual listed in the city's accounting system. According to standard accounting procedures of the city's Finance Office, if the petty cash custodian changes, the department head is required to notify the city's Finance Office and instruct the outgoing petty cash custodian to reconcile the fund in the presence of the replacement. This fund reconciliation must be signed by the new petty cash custodian acknowledging receipt of the fund as stated.	Failure to appropriately assign a petty cash custodian increases the risk that the petty cash fund is not secure or accounted for properly. In addition, if the duties, as well as the fund, were not properly signed over to the new petty cash custodian, the responsibility for safeguarding the asset still resides with the previous petty cash custodian.	Management should submit an Agency Request for Petty Cash and Imprest Changes form and a New Custodian form to the Finance Office whenever the petty cash custodian changes, in accordance with standard accounting procedures of the city's Finance Office [106519.02].	Implemented.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Monthly petty cash fund and bank reconciliations have not been performed in a timely manner.</u> Three out of eight fund and bank reconciliations tested during fiscal year 2019 were not prepared within thirty days after the end of the month.	Failure to timely perform monthly fund and bank reconciliations 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 monthly petty cash fund and bank reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [106519.03].	Implemented.
<u>Monthly petty cash bank reconciliations have not been performed correctly.</u> During our review of the department's records, we observed that September and December bank reconciliations were not performed correctly. <ul style="list-style-type: none"><li>• The September bank reconciliation contained check number 001060 which was written on October 5<sup>th</sup>, 2018.</li><li>• The December bank reconciliation contained check numbers 001067, which was written on January 3<sup>rd</sup>, 2019, and 001068, which was written on January 9<sup>th</sup>, 2019.</li></ul>	Failure to properly prepare bank reconciliations increases the risk that errors or irregularities may have occurred and remain undetected.	Management should provide training to the individual preparing the department's petty cash reconciliations to ensure they are properly performed in accordance with standard accounting procedures of the city's Finance Office [106519.04].	Implemented.
<u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the department disbursed petty cash funds for Wawa gift cards for One Form citizen testing. The unallowable expenditure totaled \$250.	The improper use of petty cash funds resulted in the expenditure of taxpayer dollars for a purchase that is not permitted under the standard accounting procedures of the city's Finance Office.	Petty cash funds should only be disbursed for allowable purchases in accordance with standard accounting procedures of the city's Finance Office [106519.05].	Implemented.

City of Philadelphia  
Register of Wills  
Findings and Recommendations  
Fiscal Year 2021

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.

<u>Name and address of department head</u>	<u>Appropriations:</u>	<u>Estimated Revenues:</u>
Honorable Tracey L. Gordon	General Fund \$4,221,429	Non-Tax Revenue \$3,755,000
Register of Wills	Grant Revenue Fund 200,000	
City Hall, Room 180	Total Appropriations \$4,421,429	
Philadelphia, PA 19107		<u>Number of Full Time Employees:</u>
		Civil Service 1
		Exempt 69
		Total Employees 70

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<b>PETTY CASH</b>  <u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> During our review of the department's petty cash records, we noted that three of the eight bank and fund reconciliations selected for testing were not prepared timely.	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 monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [106817.01].	The fiscal management team has established a departmental rule of performing the petty cash reconciliations within the first 10 days of the following month to prepare the documents in a timely manner. The prior three that were not performed in a timely manner were due to the current COVID-19 pandemic situation.



Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<u>Duties for preparing bank and fund reconciliations were not adequately segregated.</u> During our review of the department's petty cash records, we noted that the petty cash custodian prepared seven of the eight bank and fund reconciliations tested.	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign a person other than the petty cash custodian to perform the bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [106815.01].	Due to the changes in administration and the vacancies at the time, there was a shortage of fiscal management employees. The fiscal management team has already established separation of job duties by assigning three different employees to perform the functions of petty cash custodian, petty cash reconciliation, and review and approval of reconciliations.

**CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS**

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<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.	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.	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].	Implemented.
<u>Petty cash fund was not maintained at an adequate level to meet the needs of the department.</u> The department did not submit any request for reimbursements for the entire fiscal year. On two separate occasions, the department's bank account was overdrawn.	Failure to timely submit reimbursement requests could result in a fund balance that is not adequate to meet the daily needs of the department.	Management should ensure that all requests for reimbursements are made timely, in accordance with standard accounting procedures of the city's Finance Office [106817.02].	Implemented.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>An overage exists in the department's petty cash account.</u> Our review of the department's petty cash indicated an overage in the amount of \$187. Upon further review, we found that the overage was caused by the previously noted two overdrafts of the account, which were subsequently brought back to zero when the petty cash custodian deposited his own money. Additionally, an expenditure normally processed through the petty cash account was paid for by an employee and submitted for reimbursement when the account balance was zero.	Failure to reconcile the petty cash fund indicates that errors or irregularities have occurred and remain undetected, and may also indicate that the fund is not being properly handled.	Management should ensure that its employees refrain from depositing personal funds to replenish its petty cash fund, as required by the standard accounting procedures of the city's Finance Office [106817.03].	Implemented.

City of Philadelphia  
District Attorney's Office  
Findings and Recommendations  
Fiscal Year 2021

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.

Name and address of department head

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

Appropriations:

General Fund	\$33,376,659
Grants Revenue Fund	<u>16,829,540</u>
Total Appropriations	<u>\$50,206,199</u>

Estimated Revenues:

Non-Tax Revenue	\$ 5,049,000
From Other Governments	<u>11,937,000</u>
Total Estimated Revenues	<u>\$16,986,000</u>

Number of Full Time Employees:

Civil Service - Uniformed	42
Civil Service - Civilian	59
Exempt	<u>517</u>
Total Employees	<u>618</u>

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

City of Philadelphia  
Office of the Sheriff  
Findings and Recommendations  
Fiscal Year 2021

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.

Name and address of department head

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

Appropriations:

General Fund

\$26,795,874

Estimated Revenues:

Non-Tax Revenue

\$9,000,000

Number of Full Time Employees:

Civil Service

337

Exempt

29

Total Employees

366

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>For the third consecutive year, we have reported that the city 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 \$22,634, broken down as follows:</p> <ul style="list-style-type: none"> <li>Out of five sampled civil service employees, three used over eight days of undocumented sick leave during</li> </ul>	<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.<sup>1</sup></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 [107019.02].</p>	<p>The department stated that corrective action was implemented.</p>

<sup>1</sup> According to our analysis of uncertified sick leave data from the city's OnePhilly payroll system, there were 22 employees who used 8 or more undocumented sick days during calendar year 2020. Our analysis excluded undocumented sick leave taken from March 18, 2020 through September 27, 2020 since the city did not require medical certificates for sick leave used during that period due to the COVID-19 pandemic.

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <p>calendar year 2020. While two of the three employees were placed on the Excessive Use of Sick Leave List, none of them were 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 \$18,850 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. Also, two of the three employees received the fifth-day warning letter in an untimely manner. Additionally, one of the three employees did not receive an eighth-day letter notifying them of placement on the Excessive Use of Sick Leave List while another employee did not timely receive the letter. Lastly, for these three employees, the department was unable to provide the supporting medical certificates for four of six sick leave occasions reported as certified in the city's online payroll system.</p> <ul style="list-style-type: none"><li>• Our analysis of calendar year 2020 uncertified sick leave data from the city's OnePhilly payroll system disclosed an additional eight civil service employees who were improperly paid a total of \$3,784 for uncertified sick leave used after the eighth undocumented sick day.</li></ul>			

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<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.	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 [107020.01].	Implemented.
<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.	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 [107018.02].	Implemented.
<u>For the fourth year, we have reported that the department's petty cash continued to remain missing.</u> In previous years, the Sheriff's Office paid employees for travel expenses by making advances from its petty cash account. No documentation for these costs was ever submitted from these employees. In our fiscal years 2006 and 2005 audit report, we recommended that action should be taken to recover the amounts directly from the employees. Our current year testing found the \$10,000 of petty cash funds remained missing and that resolution of the missing funds is pending litigation.	By not holding someone accountable for the department's petty cash fund, \$10,000 remains missing.	We recommend that the Sheriff's Office solicit the city Finance Office's assistance to resolve the missing petty cash funds [107015.01].	With the issue of the missing funds having occurred over 15 years ago under a previous Sheriff's Office administration, Finance Office accounting management decided to close out the Sheriff's Office petty cash fund in the city's FAMIS accounting system, which had still carried a \$10,000 balance for the account. Finance Office accountants closed out the Sheriff's Office petty cash fund in FAMIS on March 24, 2022. Given this action, we will no longer report on this finding.

City of Philadelphia  
Department of Planning and Development  
Findings and Recommendations  
Fiscal Year 2021

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 implementing 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 2021, there was a \$24 million increase in both Community Development Fund appropriations and estimated revenues from other governments due to additional Community Development Block Grant funding for emergency rental assistance related to the Coronavirus Aid, Relief, and Economic Security Act.

<u>Name and address of department head</u>	<u>Appropriations:</u>	<u>Estimated Revenues:</u>
Anne Fadullon, Director	General Fund \$ 8,535,183	Non-Tax Revenue \$ 6,036,000
Department of Planning and Development	Grants Revenue Fund 62,082,437	From Other Governments 172,127,000
1515 Arch Street, 13 <sup>th</sup> Floor	Community Development Fund 92,370,231	From Other Funds <u>20,000,000</u>
Philadelphia, PA 19102	Housing Trust Fund <u>61,752,000</u>	Total Estimated Revenues <u>\$198,163,000</u>
	Grand Total <u>\$224,739,851</u>	
		<u>Number of Full Time</u>
		<u>Employees:</u>
		Civil Service 85
		Exempt <u>21</u>
		Total Employees <u>106</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<b>PERSONAL SERVICES</b>  <u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> For four of five employees tested, leave requests were not properly prepared. Specifically, we noted that the leave requests for 13 out of 14 dates selected for testing were not approved by a supervisor until after we requested them.	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 [107220.01].	We have fully reviewed your findings. Moving forward, DPD will emphasize with supervisors our expectation to comply with the procedure as outlined. Payroll staff will be an additional layer of enforcement – reminding staff to submit the required leave forms in a timely manner.

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 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].	Implemented.
<u>Payroll data entry and supervisory and executive reviews of payroll time record entries were not always segregated.</u> For eight of the 20 pay periods tested in fiscal year 2017 for the Division of Housing and Community Development, the same individual performed the supervisory and executive-level approvals of the bi-weekly payroll in the online system. Also, for six of the 19 pay periods tested in fiscal year 2017 for the Historical Commission, the same employee performed both the supervisory and executive-level approvals.	Failing to segregate incompatible duties and combining multilevel approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.	Assign different individuals to perform the data entry, and the supervisory and executive-level approvals of the bi-weekly payroll [100617.01, 105117.03].	In mid-September 2020, a new electronic process for departmental payroll approvals was implemented in the city's OnePhilly payroll system. To evidence departments' review and approval of the bi-weekly payroll, the new electronic process required each department to have a supervisory level reviewer and then a different executive level approver examine on-screen timecards and electronically sign off by the payroll closing date. Our review of the department's payroll approvals under the new process noted that it has complied with required procedures. We, therefore, consider this condition resolved.
<u>Duties for preparing the bank and fund reconciliations were not adequately segregated.</u> During our review of the department's petty cash records, we noted that the petty cash custodian prepared four of the eight bank and fund reconciliations tested.	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign a person other than the petty cash custodian to prepare the bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [105117.01].	Implemented.



City of Philadelphia  
City Commissioners Office  
Findings and Recommendations  
Fiscal Year 2021

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.

Name and address of department head

Honorable Lisa Deeley, Chair  
City Commissioners Office  
City Hall, Room 130  
Philadelphia, PA 19107

Appropriations:

General Fund	\$12,297,852
Grants Revenue Fund	<u>2,765,000</u>
Total Appropriations	<u>\$15,062,852</u>

Estimated Revenues:

Non-Tax Revenue	\$ 25,000
From Other Governments	<u>2,765,000</u>
Total Estimated Revenues	<u>\$2,790,000</u>

Honorable Omar Sabir, Vice-Chair  
City Commissioners Office  
City Hall, Room 132  
Philadelphia, PA 19107

Number of Full Time Employees:

Civil Service	123
Exempt	<u>14</u>
Total Employees	<u>137</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PETTY CASH</b></p> <p><u>Long outstanding petty cash check was not deposited into the city's Unclaimed Monies Fund.</u> A check outstanding more than a year in the amount of \$120 was not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in standard accounting procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia-Unclaimed Monies Fund, for the check outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [107321.01].</p>	<p>High turnover at the budget officer position has delayed the deposit of the check into the Unclaimed Monies Fund. The current budget officer will be implementing the change soon.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><u>An unauthorized individual was responsible for the physical custody and operation of the department's petty cash fund.</u> The employee acting as the custodian for the department's petty cash fund was not the individual listed in the city's accounting system (FAMIS). Instead, the previous custodian, who retired in July 2019, was still listed as the custodian as of March 28, 2022. According to standard accounting procedures of the city's Finance Office, if the petty cash custodian changes, the agency head is required to notify the city's Finance Office and instruct the outgoing petty cash custodian to reconcile the fund in the presence of the replacement. This fund reconciliation must be signed by the new petty cash custodian acknowledging receipt of the fund as stated.</p>	<p>Failure to appropriately assign a petty cash custodian increases the risk that the petty cash fund is not secure or properly accounted for. In addition, if the duties, as well as the fund, were not properly signed over to the new petty cash custodian, the responsibility for safeguarding the asset still resides with the previous custodian.</p>	<p>Management should submit an Agency Request for Petty Cash and Imprest Changes form and a Petty Cash Change of Custodian form to the Finance Office whenever the petty cash custodian changes in accordance with standard accounting procedures of the city's Finance Office [107321.02].</p>	<p>The department had not had time to implement the change at the time of the audit, seeing that the new budget officer had just been hired. Change has already been implemented.</p>
<p><u>Use of petty cash violated city policy.</u> During our review of the department's fiscal year 2021 petty cash reimbursement vouchers, we observed that the department disbursed petty cash funds to two non-city employees for "special casual worker pay" in connection with the June 2, 2020 election day. In addition, the department maintains a separate election payroll account which should be used for voter registration training and election compensation. The unallowable expenditures totaled \$1,060.</p>	<p>The improper use of petty cash funds resulted in the expenditure of funds that are not allowed to be processed through petty cash.</p>	<p>We recommend that management refrain from approving petty cash for unallowable purchases [107319.02].</p>	<p>The department recognizes the decision was made in error. Appropriate personnel have been made aware of the situation and will see that it does not occur again in the future.</p>
<p><u>The department's petty cash fund has still not been properly reconciled.</u> During our review of the department's petty cash records, we noted that the fund reconciliations were not properly prepared. The following items were erroneously recorded in the fund reconciliations:</p> <ul style="list-style-type: none"> <li>The department's cash balance in the fund reconciliation did not agree to the reconciled cash balance from the bank reconciliation. Instead, the department used the bank</li> </ul>	<p>Failure to properly reconcile the account increases the likelihood that receipts and invoices can be lost, complicating the reimbursement process. Failure to investigate shortages or overages on petty cash reconciliations increases the risk that missing funds will remain unrecovered or that overages will be misappropriated.</p>	<p>If any overages or shortages exist, they should be evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [107317.01]. All disbursements made from the petty cash account should be supported by appropriate documentation, and timely submitted for reimbursement</p>	<p>High turnover at the budget officer position had delayed the reconciliation of funds. Timely preparation of reconciliations has commenced, once again.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>(continued)</b></p> <p>balance as the cash balance in the fund reconciliation.</p> <ul style="list-style-type: none"> <li>Out of the \$4,007 listed as bills to be vouchered in the fund reconciliation, \$663 were over a year old, with \$250 dating back to fiscal year 2017. Also, \$190 of the \$4,007 in bills to be vouchered could not be substantiated by supporting documentation.</li> <li>Since July 2020, an overage of \$81 was reported on the fund reconciliation. Department management stated that \$53 of the overage was due to the reimbursement of an uncashed check for which the department had placed a stop payment order. Management indicated that they were investigating the remaining \$28 overage.</li> </ul>		<p><b>(continued)</b></p> <p>in accordance with the relevant city standard accounting procedures [107318.04]. Finally, the responsible employee should be trained in the proper procedures for performing a fund reconciliation [107318.05].</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 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>Implemented.</p>
<p><u>Monthly fund reconciliations lacked evidence of approval.</u> During our review of the department's petty cash funds, we noted that five of the seven fund reconciliations tested did not have any indication that they were reviewed by the responsible person.</p>	<p>Failure to review reconciliations increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a third person other than the custodian and preparer to review the reconciliation. This review should be evidenced by a signature in accordance with the standard accounting procedures of the city's Finance Office [107319.01].</p>	<p>Implemented.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<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>Implemented.</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>Implemented.</p>

City of Philadelphia  
First Judicial District of Pennsylvania  
Findings and Recommendations  
Fiscal Year 2021

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.

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	\$116,036,029
Grants Revenue Fund	<u>57,295,102</u>
Total Appropriations	<u>\$173,331,131</u>

Estimated Revenues:

Non-Tax Revenue	\$ 40,150,000
From Other Governments	<u>62,935,000</u>
Total Estimated Revenues	<u>\$103,085,000</u>

Number of Full Time Employees:

Exempt	<u>2,225</u>
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Observation/Condition	Risk/Potential Effect	Recommendation	Department's Response
<p><b>PERSONAL SERVICES</b></p> <p><u>Payroll attendance records were not properly authorized by appropriate supervisory personnel.</u> In our review of 57 daily attendance records, we noted that on 11 occasions a supervisory employee approved his/her own time and in nine instances the individual approving the time record 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 date of record, should review and formally approve them [108421.01]. Additionally, the payroll unit should be required to review the daily attendance records for evidence that the appropriate approval was obtained [108421.02].</p>	<p>HR will provide additional training for supervisors and timekeepers regarding the timesheets. We will reinforce the requirements for approving timesheets and remind supervisors of the process for authorized signers in their absence.</p>

# APPENDIX I: SUMMARY OF FINDINGS

	City Council	Department of Labor	OIT	Office of the Mayor	CEO	MDO	Police Department	Department of Streets	Fire Department	Public Health	DBHIDS	Parks / Recreation	Public Property	DHS/OCF	Philadelphia Prisons	OHS	Fleet Services	Licenses & Inspections	Water Department	Records Department	Finance / Sinking Fund	Revenue Department	Procurement Department	City Treasurer	Director of Commerce	Division of Aviation	Law Department	Board of Ethics	OIG	Office of Sustainability	Free Library	Human Relations	OHR / Civil Service	OPA	BRT	CAO	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 segregation of duties				✓	✓	✓																✓													✓	✓	✓								
Unauthorized custodian																																											✓		
Untimely performance of reconciliations				✓		✓										✓					✓					✓	✓											✓							
Inadequate approval of reconciliations						✓		✓							✓												✓							✓											
Improper disbursements						✓				✓						✓																											✓		
Checks not deposited in Unclaimed Monies				✓				✓	✓					✓								✓		✓			✓							✓								✓			
Untimely reimbursement vouchers						✓																																							
Personal Property																																													
Property valued at \$750 or more not tagged																✓																													
Items not properly removed from city's records			✓					✓							✓		✓					✓	✓																						
Revenue and Receipts																																													
Inadequate reconciliation																		✓																											
Untimely deposits						✓																																							
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							✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓			✓				✓							✓									✓			
Employee evaluations not performed			✓				✓	✓		✓						✓	✓				✓													✓											
Incorrect payments to separated employees						✓	✓		✓	✓				✓	✓					✓																									
Attendance sheets improperly used												✓																																	
Inadequate lateness policy																				✓																									