

CITY OF PHILADELPHIA PENNSYLVANIA

OFFICE OF THE CONTROLLER

ANNUAL AUDITOR'S REPORT

ON

PHILADELPHIA CITY DEPARTMENTS

FISCAL YEAR 2022



City Controller

Christy Brady, CPA

*Ensuring transparency, accountability,
and fiscal integrity in city government*





CITY OF PHILADELPHIA

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City Controller

CHARLES EDACHERIL
Deputy City Controller

May 13, 2024

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

We have examined the financial affairs of the various departments of the City of Philadelphia for fiscal year 2022 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
City Controller

cc: Honorable Cherelle L. Parker, Mayor
Honorable Kenyatta Johnson, President
and Honorable Members of City Council
Members of the Mayor's Cabinet

<https://controller.phila.gov>

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

BACKGROUND

Organization of Philadelphia Government

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

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

The mayor heads the executive and administrative 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 2022 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, 2021 through June 30, 2022, except for our review of departments' compliance with the city's Sick Leave Rules and Regulations that covered activity for the last completed calendar year, which for the fiscal year 2022 audit was calendar year 2021.

FINDINGS AND RECOMMENDATIONS

City of Philadelphia
City Council
Findings and Recommendations
Fiscal Year 2022

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. There was no similar appropriation in fiscal year 2022.

Name and address of department head
Honorable Darrell L. Clarke, President¹
City Council
Room 494, City Hall
Philadelphia, PA 19107

Appropriations:
General Fund \$18,677,973
Grants Revenue Fund 205,300
Total Appropriations \$18,883,273

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

Number of Full Time Employees:
Exempt 173

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|--|---|---|
| <p>PERSONAL SERVICES</p> <p><u>For the fifth consecutive year, we have reported that documentation supporting and authorizing leave time for City Council employees was not routinely prepared.</u> For two of the five employees tested, management was unable to provide properly approved leave requests, covering 12 of the 22 days sampled. For one of the employees, management asserted that the time requested was verbally approved instead of being formally documented by a leave request.</p> | <p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p> | <p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [100118.02].</p> | <p>The Individual Council offices use different procedures for requesting and approving leave time, such as written requests, email requests, and calendar notifications. These methods work for them and provide for oversight and accountability.</p> <p>While the independently elected offices determine the method that is best for their office, we will reiterate that all leave requests must be documented and maintained in employees' files.</p> |

¹ Honorable Darrell L. Clarke was City Council president when the department provided its response to the fiscal year 2022 report. The current president is Honorable Kenyatta Johnson.

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|--|---|--|
| <p><u>For the tenth year, we have reported that the city's sick leave policy was not enforced.</u> Our testing found two exempt City Council employees who used 15 or more undocumented sick days during calendar year 2021. Although Council's exempt employees are not subject to the same policy enforced against the city's civil service personnel, City Council still has not designed and implemented a comprehensive sick leave policy, which includes counseling and sanctions, for their own staff. These two employees received a combined total of \$13,185 in paid sick leave that they would not have been entitled to had City Council adopted the city's sick leave policy.</p> | <p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to design, implement and enforce such a policy may lead to some employees abusing sick time.</p> | <p>We continue to recommend that City Council design, implement and enforce a sick leave policy. The policy should be specific in terms of defining abuse, including employee counseling, and specify the sanctions that will occur when abuse takes place [100111.05].</p> | <p>City Council's sick leave policy is explained in the employee handbook which is distributed to every employee of City Council; Excessive sick leave absences are dealt with within the 16 independent elected offices in which the employees work. As noted in earlier reports, City Council is not subject to the same policy enforcement as Civil Service. However, although Council is not subject to those guidelines, Council does have a written sick leave policy included in the Employee Handbook, which states:</p> <ul style="list-style-type: none"> • Employees may provide written or verbal notice for the use of sick time. • Reasonable documentation can be requested only after the employee uses three (3) consecutive sick days. • Employees should provide notice to their chief of staff, or office manager by or before the start of the shift, for immediate use of sick time. • Employees should give advance notice for scheduled medical appointments. <p>City Council believes attendance is a key factor in job performance and regular attendance is expected of all employees. We will continue to remind offices of this policy. City Council will take under advisement the auditor's recommendation and strive to enforce and strengthen its sick leave policies.</p> |

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

City of Philadelphia
 Department of Labor*
 Findings and Recommendations
 Fiscal Year 2022

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> Basil L. Merenda, Director of Labor ¹ Department of Labor One Parkway Building 1515 Arch Street, 11 th Floor Philadelphia, PA 19102 | <u>Appropriations:</u> General Fund | <u>\$3,313,659</u> | <u>Estimated Revenues:</u> <u>\$-0-</u> |
| | | | <u>Number of Full Time Employees:</u> Civil Service 8 Exempt <u>20</u> Total Employees <u>28</u> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department’s Response |
|---|--|---|--|
| <p>PETTY CASH</p> <p><u>A shortage still 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 2022 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.</p> | <p>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 continue to work with the city Finance Office to resolve the \$100 shortage caused by the missing receipt [100321.01].</p> | <p>The petty cash shortage was reported and the payment voucher has been submitted to replenish our petty cash account. This should show on our next bank statement.</p> |

¹ Basil L. Merenda was the director of labor at the time that the department provided its response to the fiscal year 2022 report. In February 2024, Mr. Merenda became the commissioner for the Inspections, Safety and Compliance division in the Department of Licenses and Inspections. The current director of labor is Perritti DiVirgilio.

City of Philadelphia
Office of Innovation and Technology
Findings and Recommendations
Fiscal Year 2022

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.

Name and address of department head
Melissa A. Scott, Chief Information Officer
Office of Innovation and Technology
1234 Market Street, Suite 1850
Philadelphia, PA 19107

| <u>Appropriations:</u> | | |
|------------------------|--|----------------------|
| General Fund | | \$ 110,122,160 |
| Water Fund | | 32,224,868 |
| Grants Revenue Fund | | 52,710,519 |
| Aviation Fund | | 2,739,478 |
| Capital Fund | | <u>88,161,000</u> |
| Total Appropriations | | <u>\$285,958,025</u> |

| <u>Estimated Revenues:</u> | |
|----------------------------|----------------------|
| Non-Tax Revenue | \$ 69,976,000 |
| From Other Governments | 2,550,000 |
| From Other Funds | <u>48,219,000</u> |
| Total Estimated Revenues | <u>\$120,745,000</u> |

| <u>Number of Full Time Employees:</u> | |
|---------------------------------------|------------|
| Civil Service | 96 |
| Exempt | <u>307</u> |
| Total Employees | <u>403</u> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|-----------------------|----------------|-----------------------|
| Due to time constraints, the findings for this department have been deferred to a future audit. | | | |

City of Philadelphia
Office of the Mayor
Findings and Recommendations
Fiscal Year 2022

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 a cabinet consisting of the following officials - the managing director, the director of finance, the city solicitor, the director of planning & development, the director of commerce, the director of labor, and the city representative. 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 seven 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 the specialized needs of city residents.

Name and address of department head
Honorable James F. Kenney, Mayor¹
Office of the Mayor
City Hall, Room 215
Philadelphia, PA 19107

Appropriations:
General Fund \$6,814,201
Grants Revenue Fund 175,000
Total Appropriations \$6,989,201

Estimated Revenues:
Non-Tax Revenue \$15,000
From Other Governments 175,000
Total Estimated Revenues \$190,000

Number of Full Time Employees:
Exempt 66

| Observation/Condition | Risk/Potential Effect | Recommendation | Department’s Response |
|---|---|--|--|
| <p>PETTY CASH</p> <p><u>Long outstanding petty cash checks were not deposited into the city’s Unclaimed Monies Fund.</u> Four checks, totaling \$171, were outstanding for more than a year and were not transferred into the City of Philadelphia’s Unclaimed Monies Fund. Two of these checks dated back to 2018. 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 the four 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> |

¹ Honorable James F. Kenney was the mayor at the time that the department provided its response to the fiscal year 2022 report. The current mayor is Honorable Cherrille L. Parker.

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|---|--|--|
| <p><u>A shortage still existed in the office's General petty cash account.</u> During our review of the office's petty cash, we noted that the fund 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 which had been listed on the fund reconciliation as a bill to be vouchered since December 2018. Management asserted that the remaining \$21 shortage was a result of a duplicate payment to a vendor and an overpayment to an employee for an authorized reimbursement.</p> | <p>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>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].</p> | <p>We will work to make sure that the issues creating the shortage are corrected and the shortage is eliminated.</p> |
| <p><u>Duties for preparing the petty cash bank and fund reconciliations were still not adequately segregated.</u> During our review of the office's petty cash fund, we noted that the custodian for the General petty cash account prepared all eight of the bank and fund reconciliations tested.</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 bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [100518.02].</p> | <p>We will work to make sure these duties are segregated.</p> |
| <p><u>For the seventh 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 office's General petty cash account, we noted that six out of eight bank and fund reconciliations 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 petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [100515.02].</p> | <p>We will work to make sure that this issue is corrected.</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> The department was unable to provide formal approved leave requests for three out of 15 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 [100520.01].</p> | <p>Implemented.</p> |

City of Philadelphia
 Mayor's Office of Community Empowerment and Opportunity
 Findings and Recommendations
 Fiscal Year 2022

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, which 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, which offers non-custodial fathers workshops designed to identify what their children need in a father; the Foster Grandparent Program, which mobilizes and supports older adults serving in local school and community-based organizations; and the Work Wise Program, which 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 2022, there was a \$7.8 million increase in the CEO's Grant Revenue Fund appropriations and estimated revenues from other governments due principally to supplemental Community Services Block Grant funding related to the Coronavirus Aid, Relief, and Economic Security Act and an increase in federal funds for the WorkReady Program.

| | | | | |
|---|---|--|--|--|
| <u>Name and address of department head</u> Mitchell Little, Executive Director ¹ Mayor's Office of Community Empowerment and Opportunity 1234 Market Street, 16 th Floor Philadelphia, PA 19107 | <u>Appropriations:</u> General Fund Grants Revenue Fund Total Appropriations | \$ 1,509,000 <u>42,075,135</u> <u>\$43,584,135</u> | <u>Estimated Revenues:</u> Non-Tax Revenues From Other Governments Total Estimated Revenues | \$ 676,000 <u>41,399,000</u> <u>\$42,075,000</u> |
|---|---|--|--|--|

Number of Full Time Employees:
Exempt 27

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|---|--|---|
| <p>PETTY CASH</p> <p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> During our review of the CEO's petty cash account, we noted that five of the 12 bank and fund reconciliations we tested were not prepared within thirty days after the end of the month.</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 [100822.01].</p> | <p>CEO will perform timely petty cash and bank reconciliations on a monthly basis and will submit by the 15th of the following month in accordance with the standard accounting procedures of the city's Finance Office. Performance and adherence to these timelines will be monitored by Management.</p> |

¹ Mitchell Little was the executive director at the time that the department provided its response to the fiscal year 2022 report. The current executive director is Orlando Rendon.

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|--|--|---|
| <p><u>An overage still existed in the CEO's petty cash account.</u> We noted that a previously reported overage of \$600 had increased to \$1,200 during fiscal year 2022. This petty cash overage occurred when the office placed stop payment orders on uncashed checks which had already been reimbursed through petty cash vouchers. As of October 13, 2022, the \$1,200 overage remained unresolved.</p> | <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 \$1,200 overage and deposit that check with the Department of Revenue's Payment Processing Division [100821.01].</p> | <p>CEO submitted a check for \$1,200 to the Revenue department on 03/15/2023 (receipt provided). The department followed up on check #5965 and will continue to follow up regarding the deposit and reconciliation of that check.</p> |
| <p><u>Duties for reviewing the petty cash bank and fund reconciliations were still not adequately segregated.</u> During our review of the CEO's petty cash account, we noted that the fund's custodian reviewed five of the 12 fund reconciliations, and four of the 12 bank reconciliations tested.</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 review bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [100821.02].</p> | <p>Implemented. CEO will ensure that moving forward, the duties of the petty cash custodian and the bank and fund reconciliations reviewer are segregated.</p> |

City of Philadelphia
Office of the Managing Director
Findings and Recommendations
Fiscal Year 2022

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. The fiscal 2022 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> | |
| Adam Thiel, Managing Director | General Fund | \$180,641,089 | Non-Tax Revenue | \$ 10,062,000 |
| Office of the Managing Director | Water Operating Fund | 138,550 | From Other Governments | <u>202,242,000</u> |
| 1430 Municipal Services Building | Grants Revenue Fund | 198,116,136 | Total Estimated Revenues | <u>\$212,304,000</u> |
| 1401 John F. Kennedy Boulevard | Capital Fund | <u>108,372,000</u> | | |
| Philadelphia, PA 19102 | Total Appropriations | <u>\$487,267,775</u> | | |
| | | | <u>Number of Full Time Employees:</u> | |
| | | | Civil Service | 42 |
| | | | Exempt | <u>392</u> |
| | | | Total Employees | <u>434</u> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|-----------------------|----------------|-----------------------|
| Due to time constraints, the findings for this department have been deferred to a future audit. | | | |

City of Philadelphia
Police Department
Findings and Recommendations
Fiscal Year 2022

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> Kevin Bethel, Commissioner Police Department Police Headquarters 400 North Broad Street Philadelphia, PA 19130 | <u>Appropriations:</u> General Fund \$729,347,734 Grants Revenue Fund 16,974,794 Aviation Fund 14,827,104 Capital Fund <u>59,649,000</u> Total Appropriations <u>\$820,798,632</u> | <u>Estimated Revenues:</u> Non-Tax Revenue \$ 5,790,000 From Other Governments <u>19,175,000</u> Total Estimated Revenues <u>\$24,965,000</u> |
| | | <u>Number of Full Time Employees:</u> Civil Service 6,791 Exempt <u>17</u> Total Employees <u>6,808</u> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|-----------------------|----------------|-----------------------|
| Due to time constraints, the findings for this department have been deferred to a future audit. | | | |

City of Philadelphia
 Department of Streets
 Findings and Recommendations
 Fiscal Year 2022

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. 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. During fiscal year 2022, a commissioner, appointed by the city’s managing director with the approval of the mayor, directed the department. In February 2024, the mayor announced the separation of the department’s streets and sanitation operations and split the department’s leadership into two positions – a streets commissioner and a sanitation commissioner.

Name and address of department head
 Kristin Del Rossi, Streets Commissioner
 Department of Streets
 Municipal Services Building, 9th Floor
 1401 John F. Kennedy Boulevard
 Philadelphia, PA 19102

Appropriations:

| | |
|------------------------------|-------------------------------|
| General Fund | \$173,434,633 |
| County Liquid Fuels Tax Fund | 10,873,000 |
| Special Gasoline Tax Fund | 39,900,000 |
| Grants Revenue Fund | 40,407,000 |
| Capital Fund | <u>831,625,000</u> |
| Total Appropriations | <u>\$1,096,239,633</u> |

Estimated Revenues:

| | |
|---------------------------------|-----------------------------|
| Non-Tax Revenue | \$ 31,490,000 |
| From Other Governments | <u>72,182,000</u> |
| Total Estimated Revenues | <u>\$103,672,000</u> |

Crystal Jacobs Shipman, Sanitation Commissioner
 Department of Streets
 Municipal Services Building, 7th Floor
 1401 John F. Kennedy Boulevard
 Philadelphia, PA 19102

Number of Full Time Employees:

| | |
|------------------------|---------------------|
| Civil Service | 2,053 |
| Exempt | <u>18</u> |
| Total Employees | <u>2,071</u> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department’s Response |
|---|-----------------------|----------------|-----------------------|
| Due to time constraints, the findings for this department have been deferred to a future audit. | | | |

City of Philadelphia
Fire Department
Findings and Recommendations
Fiscal Year 2022

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

Craig Murphy, Commissioner
Philadelphia Fire Department
240 Spring Garden Street
Philadelphia, PA 19123

Appropriations:

| | |
|----------------------|----------------------|
| General Fund | \$361,066,229 |
| Grants Revenue Fund | 31,088,500 |
| Aviation Fund | 8,954,877 |
| Capital Fund | <u>13,610,000</u> |
| Total Appropriations | <u>\$414,719,606</u> |

Estimated Revenues:

| | |
|--------------------------|---------------------|
| Non-Tax Revenue | \$37,718,000 |
| From Other Governments | <u>30,321,000</u> |
| Total Estimated Revenues | <u>\$68,039,000</u> |

Number of Full Time

Employees:

| | |
|-----------------|--------------|
| Civil Service | 2,732 |
| Exempt | <u>11</u> |
| Total Employees | <u>2,743</u> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|-----------------------|----------------|-----------------------|
| Due to time constraints, the findings for this department have been deferred to a future audit. | | | |

City of Philadelphia
 Department of Public Health
 Findings and Recommendations
 Fiscal Year 2022

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.

Name and address of department head

Frank A. Franklin, PhD, JD, MPH
 Health Commissioner
 Department of Public Health
 Jefferson Center
 1101 Market Street, 13th Floor
 Philadelphia, PA 19107

Appropriations:

| | |
|--------------------------|----------------------|
| General Fund | \$163,004,196 |
| Grants Revenue Fund | 246,969,628 |
| Acute Care Hospital Fund | 322,441,720 |
| Capital Fund | <u>103,998,000</u> |
| Total Appropriations | <u>\$836,413,544</u> |

Estimated Revenues:

| | |
|--------------------------|----------------------|
| Non-Tax Revenue | \$ 59,969,000 |
| From Other Governments | <u>305,658,000</u> |
| Total Estimated Revenues | <u>\$365,627,000</u> |

Number of Full Time Employees:

| | |
|-----------------|------------|
| Civil Service | 828 |
| Exempt | <u>34</u> |
| Total Employees | <u>862</u> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|-----------------------|----------------|-----------------------|
| Due to time constraints, the findings for this department have been deferred to a future audit. | | | |

City of Philadelphia
 Department of Behavioral Health and Intellectual disAbility Services
 Findings and Recommendations
 Fiscal Year 2022

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 ensure the availability of state mandated mental health services to residents of Philadelphia. Working in partnership with individuals, families, and other service systems, DBHIDS provide an array of mental health and substance abuse services to help people face the challenges of daily life and take positive steps toward recovery and self-determination. A vast network of provider agencies offers a full range of treatment options, including individual and family therapy, group therapy, and crisis intervention services to assist individuals and their families in emergency situations. 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 is comprised of the Commissioner’s Office and the following seven divisions: the Behavioral Health Division; the Division of Intellectual disAbility Services; the Division of Administration, Finance, and Quality; the Division of Planning Innovation; the Behavioral Health and Justice Division; the Office of the Chief Medical Officer; and Community Behavioral Health (a nonprofit corporation serving as the city’s managed care organization for Medicaid patients). The department also acts 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 chief medical officer, a chief executive officer, and two chief program officers.

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

Appropriations:
 General Fund \$ 23,546,932
 Grants Revenue Fund 305,028,112
 Health Revenue Fund 1,310,000,000
 Total Appropriations \$1,638,575,044

Estimated Revenues:
 Non-Tax Revenue \$ 2,000,000
 From Other Governments 1,613,028,000
 Total Estimated Revenues \$1,615,028,000

Number of Full Time Employees:
 Civil Service 228
 Exempt 34
 Total Employees 262

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|--|--|---|
| <p>PERSONAL SERVICES</p> <p><u>Ineligible employees received cash overtime.</u> Our review of overtime payments for the first three quarters of fiscal year 2022 found that five DBHIDS employees, who were ineligible to receive cash compensation for overtime worked and instead should have earned compensatory time, erroneously received cash overtime. For all five employees, their overtime hours were incorrectly entered into the city’s OnePhilly payroll system using a cash overtime code rather than the correct code for compensatory time earned. Also, one of the five employees had the</p> | <p>Erroneous cash overtime payments occurred and were not detected. As a result, five ineligible employees incorrectly received cash overtime payments totaling \$6,016.</p> | <p>Require that employees assigned to approve the bi-weekly payroll and spot-check the appropriateness of payroll data entries, ensure that the correct overtime codes are used for employees who are ineligible to receive cash overtime. Also, human resources personnel should ensure that all employees ineligible to receive cash</p> | <p>Department hired a Payroll Clerk to oversee bi-weekly payroll data entries. Department will require payroll staff to review payroll entries on a weekly basis to ensure appropriateness and accuracy of time records.</p> <p>Payroll staff will review bi-weekly Assignment Time Information report via One Philly to verify the earning policies of all employees including those that are exempt from overtime cash.</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|--|---|---|
| <p>(continued)</p> <p>wrong earning policy code assigned in OnePhilly, which erroneously listed the employee as being eligible to receive cash overtime.</p> | | <p>(continued)</p> <p>overtime are assigned the correct earning policy code in OnePhilly. For all identified overtime payments to ineligible employees, take action to recover the monies from the employees and ensure that the employees receive the correct compensatory time earnings [101522.01].</p> | <p>(continued)</p> <p>In addition, One Philly has implemented a restriction that prevents employees earning more than the maximum rate of EP21/N21 from earning cash overtime. The cash overtime restriction was implemented on October 30, 2023. The Department placed the five DBHIDS employees on overpayment recovery plans. All overpaid funds have been recovered from the DBHIDS employees.</p> |
| <p><u>Payroll data entries for separated employees were still not always checked.</u> One of the five separated employees selected for testing was overpaid for several weeks after termination. Subsequently, although a portion of the overpayment was recovered through garnishing the employee's terminal leave payment, the department failed to submit a Payroll Credit Advice (PCA) to recover the remaining overpayment. Additionally, we followed up on the (1) fiscal year 2020 finding where two separated employees remained on the city's payroll and were erroneously paid after their termination date and (2) fiscal year 2021 finding where one employee separated while possessing negative leave balances, and we 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. The selected employee who continued to be paid after separation was overpaid by \$8,903. We observed that \$2,122 of the \$8,903 overpayment was recovered through garnishing the employee's terminal leave payment. Regarding the prior year findings, the three separated employees were overpaid by a total of \$12,138.</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. Require management to submit PCAs for any overpayments [101520.01].</p> | <p>Department will require payroll staff to review payroll entries on a weekly basis to ensure appropriateness and accuracy of time records. Department will dedicate additional staff to manage separation process and PCA process. Department will submit PCA forms for the separated employees.</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. DBHIDS management informed us that they do not use field destination sheets. Instead, when employees need to report to an alternate location, they send a text or email to their supervisor when they start and end their workday.</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 procedure to share with the department and create electronic field location sheets to verify offsite work.</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|--|--|---|
| <p><u>For the sixth consecutive year, we are reporting that employee overtime was not properly authorized.</u> Overtime was paid without evidence that management 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 2022, these five employees – all crisis line counselors – earned a combined total of \$241,268 in overtime, which represented 53 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>Department will draft procedures requiring pre-approval of overtime in writing. Department will require electronic overtime authorizations to be attached to timecards. Department will dedicate HR staff to audit all overtime entries on a bi-weekly basis.</p> |
| <p><u>For the tenth consecutive year, we are reporting that the city sick leave policy was not properly enforced.</u> Four of the five civil service employees tested, who each used eight or more days of undocumented sick leave during calendar year 2021, were not placed on the Excessive Use of Sick Leave List. These four employees were not penalized according to the city’s Sick Leave Rules and Regulations, and they continued to use and be paid for certified and uncertified sick leave in violation of this 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. Consequently, they were paid \$21,089 in sick leave benefits that they would not have been entitled to had the department properly enforced the city’s sick leave policy.</p> <p>Additionally, we noted that:</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.</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 will enforce the city’s sick policy, including counseling and any subsequent sanctions set forth in the policy for all sick leave policy violations. Sick Abuse monitoring was implemented into Oracle in compliance with the City of Philadelphia’s Sick Abuse Policy. The Sick Abuse Control Program will run weekly automatically on Fridays and will pick up the manual process. One Philly will issue automatic 5-day warning and 8-day placement letters to the employee’s supervisor and HR Department will dedicate HR staff to audit sick leave time entries on a bi-weekly basis.</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|--|---|---|
| <p>(continued)</p> <ul style="list-style-type: none"> • These four employees did not receive an eighth-day letter notifying them of placement on the Excessive Use of Sick Leave List. • Three of the five employees tested did not receive a fifth-day warning letter. • Two employees received fifth-day warning letters, but they were not issued timely. <p>Lastly, for three of the five employees tested, the department was unable to provide the supporting medical certificates for nine of 14 sick leave instances reported as certified in the city's online payroll system.</p> | | | |
| <p><u>For the twelfth consecutive year, we are reporting that documentation supporting and authorizing employee leave time was not routinely prepared.</u> Out of the 23 sample days tested for five selected employees, DBHIDS was unable to provide formally approved leave requests for 10 days used by two of these employees.</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 enforce the city's leave request policy and require all employees to formally submit written requests to supervisors prior to taking leave time. Department will require electronic leave slips to be attached to timecards. HR will dedicate HR staff to audit leave request time entries on a bi-weekly basis to determine compliance with City Leave Request Policy and implement sanctions; including counseling and subsequent sanctions set forth in the leave policy.</p> |

| CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS | | | |
|--|---|---|--------------------------|
| Prior Observation/Condition | Risk/Potential Effect | Recommendation | Corrective Action |
| <p><u>Employee evaluations were not recently performed.</u> The department could not provide recent employee evaluations for two 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 [101521.01].</p> | <p>Implemented.</p> |

City of Philadelphia
 Department of Parks and Recreation
 Findings and Recommendations
 Fiscal Year 2022

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 2022.

| | | |
|---|--|---|
| <u>Name and address of department head</u> Susan Slawson, Commissioner Department of Parks and Recreation 1515 Arch Street, 10 th Floor Philadelphia, PA 19102 | <u>Appropriations:</u> General Fund \$ 64,604,553 Grants Revenue Fund 14,053,868 Capital Fund <u>217,236,000</u> Total Appropriations <u>\$295,894,421</u> | <u>Estimated Revenues:</u> Non-Tax Revenue \$ 2,825,000 From Other Governments <u>13,193,000</u> Total Estimated Revenues <u>\$ 16,018,000</u> |
| | | <u>Number of Full Time Employees:</u> Civil Service 594 Exempt <u>40</u> Total Employees <u>634</u> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|-----------------------|----------------|-----------------------|
| Due to time constraints, the findings for this department have been deferred to a future audit. | | | |

City of Philadelphia
 Department of Public Property
 Findings and Recommendations
 Fiscal Year 2022

Functions

The Department of Public Property (DPP) 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 DPP 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 DPP is a member of the Historical Commission, which certifies buildings having historical value. In fiscal year 2022, there was a \$7.9 million decrease in Aviation Fund appropriations because of a decline in utilities consumption while there was a \$15.8 million increase in Capital Fund appropriations primarily due to additional appropriations for improvements to municipal facilities. Also, in fiscal year 2022, there was a \$17.2 million increase in estimated non-tax revenues primarily due to an increase in anticipated proceeds from the sale of city real property assets.

| | | | | |
|--|------------------------|----------------------|---------------------------------------|---------------------|
| <u>Name and address of department head</u> Bridget Collins-Greenwald, Commissioner ¹ Department of Public Property City Hall, Room 790 Philadelphia, PA 19107 | <u>Appropriations:</u> | | <u>Estimated Revenues:</u> | |
| | General Fund | \$220,146,720 | Non-Tax Revenue | \$22,475,000 |
| | Water Fund | 4,495,292 | From Other Governments | <u>18,000,000</u> |
| | Aviation Fund | 14,000,000 | Total Estimated Revenues | <u>\$40,475,000</u> |
| | Capital Fund | <u>58,716,000</u> | | |
| | Total Appropriations | <u>\$297,358,012</u> | <u>Number of Full Time Employees:</u> | |
| | | | Civil Service | 119 |
| | | | Exempt | <u>13</u> |
| | | | Total Employees | <u>132</u> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|---|--|---|
| <p>PERSONAL PROPERTY</p> <p><u>Personal property items reported as “cannot locate” items were not properly removed from the city’s database after three years.</u> During our review of the city’s personal property database, we noted 90 items, valued at \$529,599, 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.</p> | <p>DPP will continue to ensure tags are properly placed when required on all equipment. We will perform annual inventory counts when requested by Procurement. The department’s staff will actively remove items marked CNL. The timeline to complete the removal of all CNL items is the end of the fiscal year.</p> |

¹ Bridget Collins-Greenwald was the commissioner of DPP when the department provided its response to the fiscal year 2022 report. In February 2024, Ms. Collins-Greenwald became the commissioner for the Quality of Life division in the Department of Licenses and Inspections. As of March 22, 2024, a new commissioner for DPP had not yet been named.

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|---|---|--|
| | | <p>(continued)</p> <p>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 [102022.01].</p> | |
| <p>PERSONAL SERVICES</p> <p><u>Ineligible employees received cash overtime.</u> Our review of overtime payments for the first three quarters of fiscal year 2022 found that four DPP employees, who were ineligible to receive cash compensation for overtime worked and instead should have earned compensatory time, erroneously received cash overtime. For all four employees, their overtime hours were incorrectly entered into the city’s OnePhilly payroll system using a cash overtime code rather than the correct code for compensatory time earned. Also, two of the four employees had the wrong earning policy code assigned in OnePhilly, which erroneously listed the employees as being eligible to receive cash overtime.</p> | <p>Erroneous cash overtime payments occurred and were not detected. As a result, four ineligible employees incorrectly received cash overtime payments totaling \$34,737.</p> | <p>Require that employees assigned to approve the bi-weekly payroll and spot-check the appropriateness of payroll data entries, ensure that the correct overtime codes are used for employees ineligible to receive cash overtime. Also, human resources personnel should ensure that all employees ineligible to receive cash overtime are assigned the correct earning policy code in OnePhilly. For all identified overtime payments to ineligible employees, take action to recover the monies from the employees and ensure that the employees receive the correct compensatory time earnings [102022.02].</p> | <p>The department employees who approve bi-weekly payroll were retrained by OHR/OnePhilly on earnings policy codes and the appropriateness of related payroll data entries. The department keeps an up-to-date list of employees in this category and ensures that employees ineligible to receive cash overtime are assigned the correct earning policy. Also, in October 2023 One Philly implemented a system update to prevent ineligible cash overtime from being entered into the system.</p> |

City of Philadelphia
 Department of Human Services and Office of Children and Families
 Findings and Recommendations
 Fiscal Year 2022

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.

Name and address of department head
 Vanessa Garrett Harley, Esq., Deputy Mayor
 Office of Children and Families
 1515 Arch Street, 8th Floor
 Philadelphia, PA 19102

Appropriations:
Department of Human Services
 General Fund \$178,273,808
 Grants Revenue Fund 642,269,753
 Total Appropriations \$820,543,561

Estimated Revenues:
Department of Human Services
 Non-Tax Revenue \$ 2,000,000
 From Other Governments 642,270,000
 Total Estimated Revenues \$644,270,000

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

Office of Children and Families
 General Fund \$442,000

Number of Full Time Employees:
Department of Human Services
 Civil Service 1,324
 Exempt 145
 Total Employees 1,469

Office of Children and Families
 Exempt 2

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|-----------------------|----------------|-----------------------|
| Due to time constraints, the findings for this department have been deferred to a future audit. | | | |

City of Philadelphia
Philadelphia Prison System
Findings and Recommendations
Fiscal Year 2022

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.

| | | |
|--|---|--|
| <u>Name and address of department head</u> Michael R. Resnick, Commissioner Philadelphia Prison System 7901 State Road Philadelphia, PA 19136-3407 | <u>Appropriations:</u> General Fund \$237,651,313 Capital Fund <u>16,763,000</u> Total Appropriations <u>\$254,414,313</u> | <u>Estimated Revenues:</u> From Other Governments \$150,000 |
| | | <u>Number of Full Time Employees:</u> Civil Service 1,380 Exempt <u>13</u> Total Employees <u>1,393</u> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|-----------------------|----------------|-----------------------|
| Due to time constraints, the findings for this department have been deferred to a future audit. | | | |

City of Philadelphia
Office of Homeless Services
Findings and Recommendations
Fiscal Year 2022

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 2022, there was a \$14.1 million increase in estimated revenues from other governments and a similar increase in grants revenue fund appropriations due to Emergency Solutions Grants program funds awarded through the Coronavirus Aid, Relief, and Economic Security Act. There was also an \$11M increase in general fund appropriations resulting from the restoration of fiscal year 2021 budget reductions.

Name and address of department head

Elizabeth Hersh, Director¹
Office of Homeless Services
1030 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

Appropriations:

| | |
|----------------------|----------------------|
| General Fund | \$ 55,321,342 |
| Grants Revenue Fund | 93,747,762 |
| Capital Fund | <u>5,391,000</u> |
| Total Appropriations | <u>\$154,460,104</u> |

Estimated Revenues:

| | |
|--------------------------|---------------------|
| Non-Tax Revenue | \$ 355,000 |
| From Other Governments | <u>93,748,000</u> |
| Total Estimated Revenues | <u>\$94,103,000</u> |

Number of Full Time Employees:

| | |
|-----------------|------------|
| Civil Service | 107 |
| Exempt | <u>31</u> |
| Total Employees | <u>138</u> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|---|--|--|
| <p>PETTY CASH</p> <p><u>OHS' Riverview petty cash account has still not been properly reconciled.</u> During our review of OHS' 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"> In the Riverview account, there existed a shortage of \$978 caused by unreimbursed disbursements from fiscal years 2016 and | <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>Due to the closure of the facility and departure of responsible staff, closing the account presented more challenges than anticipated. Moving forward, we will take all vital steps necessary, including requesting aid from the city's Finance Office with respect to terminating the account.</p> |

¹ Elizabeth Hersh was the director at the time that the department provided its response to the fiscal year 2022 report. The current director is David Holloman.

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|---|--|---|
| <p>(continued)</p> <p>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 OHS was unable to provide supporting documentation.</p> <ul style="list-style-type: none"> For a \$26 item labeled as “erroneous bank credit” on the bank reconciliation, OHS could not provide supporting documentation. <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 OHS’ petty cash account.</u> During our review of OHS’ 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>The appropriate personnel will conduct a detailed examination of the relevant supporting documents in accordance with standard accounting procedures of the city's Finance Office. In addition, we will consult with the City’s Finance Office on the process and procedures to resolve any shortages and overages in the account.</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|---|---|---|
| <p>PERSONAL SERVICES</p> <p><u>Payroll data entries for separated employees were not always checked.</u> For two of the five employees tested, we noted errors in the calculation of their final payroll checks. These errors occurred because the separations were not timely recorded in the city's online payroll system, which resulted in one employee being paid for leave time after his official separation date, and the other employee not receiving payment for the terminal leave time accumulated prior to his separation. Additionally, OHS failed to submit a Payroll Credit Advice (PCA) seeking recovery of the amount overpaid to the first employee.</p> | <p>Errors or irregularities occurred and were not detected during the normal process of preparing the bi-weekly payroll which allowed separated employees to be paid erroneously. Specifically, one employee was overpaid \$140 at separation, while the other employee was underpaid by \$500.</p> | <p>Require that employees assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries, also ensure that the payroll time records accurately reflect the status of all separated employees. [102422.01] OHS management should also prepare a PCA seeking recovery of the amount overpaid to the first employee and submit the necessary documentation to correct the amount due to the second employee [102422.02].</p> | <p>OHS HR has begun utilizing an offboarding tracking system that was developed internally with on and off-boarding procedures provided by HR and Talent. HR and Talent is a department in the City's Office of Human Resources that provides support to other city department's HR teams. In addition to this workflow, the final request for Terminal Leave for the separated employee submitted to city Finance is not completed until the Leave Use and Accrual Summary is updated. This last update happens after the separated employee's final timecard in OnePhilly is submitted, approved, and processed for payment. This allows for no errors in the number of hours the employee should be paid. This should help to develop a better understanding of the separations process.</p> |
| <p><u>Employee overtime was not properly authorized.</u> For the five OHS employees selected for testing, overtime was not properly authorized for 16 out of 25 dates worked. Specifically, we noted that:</p> <ul style="list-style-type: none"> On 11 occasions, overtime was approved by only one supervisor, in violation of OHS' overtime policy that requires two levels of approval. | <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. [102422.03]</p> | <p>Per Citywide policy, OHS maintains two levels of written overtime approvals, and timecards are also approved in One Philly. Overtime slips are reviewed and approved in accordance with any overtime worked. Moving forward, we will boost these efforts to improve accuracy. We will send</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|--|--|---|
| <p>(continued)</p> <ul style="list-style-type: none"> For two dates tested, overtime hours worked exceeded the number of hours approved. On two other occasions, overtime was approved by someone who was not in a supervisory position and, therefore, not authorized to provide such approval. For one date tested, management was unable to provide documentation supporting the overtime approval. | | | <p>(continued)</p> <p>out communications referencing the overtime approvals process to management to ensure that unauthorized personnel are not authorizing overtime on any occasion.</p> |
| <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> For the five employees tested, OHS was unable to provide formal approved leave requests for 17 of the 21 sample dates selected for testing.</p> | <p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p> | <p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [102421.03].</p> | <p>The OHS Human Resources Unit has been providing additional training to leadership and resources to staff through Leadership Team meetings and monthly All Staff meetings. The HR/Payroll unit has been sending reminders to staff regarding sick, overtime and all other leave requests. We will continue to be diligent in these efforts.</p> |
| <p><u>City sick leave policy was not properly enforced.</u> OHS did not properly enforce the sick leave abuse policy for all five of the civil service employees tested who each used eight or more days of uncertified sick leave. Four of these employees were not placed on the Excessive Use of Sick Leave List. The fifth employee was placed on the List but OHS management failed to issue an eighth-day placement letter in a timely manner. As a result, all five employees continued to use and be paid for both</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.</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</p> | <p>HR reviews the sick abuse list monthly and takes corrective action. Since rollout, OHS has been using the automated sick abuse notifications generated in addition to a tracking spreadsheet to ensure that the sick leave policy is appropriately enforced. We will include employee counseling in our enforcement as well.</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|-----------------------|--|-----------------------|
| <p>(continued)</p> <p>certified and uncertified sick leave in violation of the city's sick leave policy. Management should have counseled these employees and imposed the following penalties: a written warning after the first uncertified sick occurrence, a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a ten-day suspension after the fourth occurrence, and subject to discharge after the fifth occurrence. Additionally, the employees should not have been paid for the first day of any certified sick leave usage over the next four occasions.</p> <p>Additionally, three of the five civil service employees tested did not receive a fifth-day warning letter, while one employee received a fifth-day letter before reaching her fifth uncertified sick day.</p> <p>We also noted that for four of the five employees tested, OHS did not enforce the submission of medical certificates supporting sick leave when employees used more than two consecutive sick days. Specifically, we noted that:</p> <ul style="list-style-type: none">• One employee used five and 15 consecutive sick days on two separate occasions without a medical certificate.• Another employee used four consecutive sick days without a medical certificate.• A third employee used 12 consecutive sick days without submitting a medical note.• The last employee tested used three and four consecutive sick days on two separate occasions without a medical certificate. | | <p>(continued)</p> <p>in the policy, be adopted and enforced by management [102421.04].</p> | |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|---|---|--|
| <p>(continued)</p> <p>Finally, for these same four employees, OHS management was unable to provide the supporting medical certificates for 12 of 24 sick leave dates reported as certified in the city's online payroll system.</p> | | | |
| <p><u>Employee evaluations were not recently performed.</u> OHS 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 [102421.05].</p> | <p>The Human Resources and Leadership teams has ensured that the performance evaluation calendar is enforced. Management will continue to provide additional support where needed to ensure evaluations are completed timely and on an annual basis.</p> |
| 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 OHS' 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>Implemented.</p> |

| CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued) | | | |
|---|---|---|--------------------------|
| Prior Observation/Condition | Risk/Potential Effect | Recommendation | Corrective Action |
| <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>Implemented.</p> |
| <p><u>OHS' use of petty cash again violated city policy as it split a petty cash purchase to evade the \$750 spending limit.</u> OHS 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>Implemented.</p> |

City of Philadelphia
 Department of Fleet Services
 Findings and Recommendations
 Fiscal Year 2022

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. In fiscal year 2022, there was a \$9.8 million decrease in Capital Fund appropriations due to anticipated decreases in transfers from the operating fund and less funding carried forward from prior year general obligation bonds.

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| <u>Name and address of department head</u> Joseph L. Rosati, Commissioner Department of Fleet Services 100 South Broad Street, 3 rd Floor Philadelphia, PA 19110 | <u>Appropriations:</u> General Fund \$ 55,092,570 Water Fund 8,899,184 Aviation Fund 3,585,617 Capital Fund <u>44,609,000</u> Total Appropriations <u>\$112,186,371</u> | <u>Estimated Revenues:</u> Non-Tax Revenue \$3,775,000 | <u>Number of Full Time Employees:</u> Civil Service 313 Exempt <u>7</u> Total Employees <u>320</u> |
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| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|---|--|--|
| <p>PERSONAL PROPERTY</p> <p><u>Personal property items reported as “cannot locate” items were still not properly removed from the city’s database after three years.</u> During our review of the city’s personal property database, we noted 86 items for the Department of Fleet Services, valued at \$188,282, 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 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 submitted the required documentations to the Procurement Department to process the transaction to reflect accurate personal inventory values in the city’s database. As per Procurement Department, these reported items will be removed from the database by 2025.</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|---|--|---|
| <p>PERSONAL SERVICES</p> <p><u>For the fourth consecutive year, we have reported that the city sick leave policy was not properly enforced.</u> The Department of Fleet Services did not properly enforce the sick leave policy for the five civil service employees we tested. Four of the five employees, who each had used over eight days of undocumented sick leave during calendar year 2021, were not placed on the Excessive Use of Sick Leave List. The other employee was properly placed on the list, but it was not performed timely. The department also failed to issue timely fifth-day warning letters to all five employees. Consequently, the employees continued to use and be paid for both certified and uncertified sick leave in violation of the city's Sick Leave Rules and Regulations. The department should have also counseled these employees and imposed the following penalties: a written warning after the first uncertified 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 possible discharge after the fifth occurrence. Additionally, the employees should not have been paid for the first day of any certified sick leave usage over the next four occasions.</p> <p>Finally, we noted that the department did not enforce the submission of medical certificates when employees used more than two consecutive sick days. Specifically,</p> <ul style="list-style-type: none"> • For the first employee tested, the department did not provide medical certificates for three consecutive sick days taken by the employee for each of three separate absences. The department was | <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 [102519.02].</p> | <p>DFS acknowledges this observation and the importance of the implementation of the City's sick leave policy. DFS will take all the administrative measures to comply with the policy by enhancing the sick abuse tracking and implementation process.</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|-----------------------|----------------|-----------------------|
| <p>(continued)</p> <p>also unable to provide the required forms supporting 26 sick dates reportedly covered by the Family Medical Leave Act.</p> <ul style="list-style-type: none">• For the second employee, the department did not provide medical certificates for three consecutive sick days used during each of six separate absences.• For the third employee, the department did not provide medical certificates for three and four consecutive sick days taken by the employee on two separate occasions.• For the final two employees, the department did not provide the supporting medical certificates for three consecutive sick days taken by each employee. | | | |

City of Philadelphia
 Department of Licenses and Inspections
 Findings and Recommendations
 Fiscal Year 2022

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. During fiscal year 2022, the department was headed by a commissioner appointed by the managing director with the approval of the mayor. In February 2024, the mayor announced there would now be two L&I commissioners – one to head up an Inspections, Safety and Compliance Division and another to lead a Quality of Life Division.

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 L&I commissioner 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.

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| <u>Name and address of department head</u> Basil L. Merenda, Commissioner for Inspections, Safety and Compliance Department of Licenses and Inspections 11 th Floor, Municipal Services Building 1401 John F. Kennedy Boulevard Philadelphia, PA 19102-1687 | <u>Appropriations:</u> General Fund \$39,192,534 Community Development Fund <u>490,303</u> Total Appropriations <u>\$39,682,837</u> | <u>Estimated Revenues:</u> Non-Tax Revenue \$70,988,000 From Other Governments <u>490,000</u> Total Estimated Revenues <u>\$71,478,000</u> |
| Bridget Collins-Greenwald, Commissioner for Quality of Life Department of Licenses and Inspections 11 th Floor, Municipal Services Building 1401 John F. Kennedy Boulevard Philadelphia, PA 19102-1687 | | <u>Number of Full Time Employees:</u> Civil Service 327 Exempt <u>29</u> Total Employees <u>356</u> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|-----------------------|----------------|-----------------------|
| Due to time constraints, the findings for this department have been deferred to a future audit. | | | |

City of Philadelphia
Philadelphia Water Department
Findings and Recommendations
Fiscal Year 2022

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 2022 appropriations for the Philadelphia Water Department and the Water, Sewer and Storm Water Rate Board were combined for reporting purposes.

Name and address of department head

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

Appropriations:

| | |
|----------------------|------------------------|
| Water Fund | \$ 430,268,150 |
| Water Residual Fund | 32,994,000 |
| Capital Fund | <u>918,232,000</u> |
| Total Appropriations | <u>\$1,381,494,150</u> |

Estimated Revenues:

| | |
|--------------------------|----------------------|
| Non-Tax Revenue | \$ 8,162,000 |
| From Other Governments | 670,000 |
| From Other Funds | <u>124,703,000</u> |
| Total Estimated Revenues | <u>\$133,535,000</u> |

Number of Full Time Employees:

| | |
|-----------------|--------------|
| Civil Service | 2,079 |
| Exempt | <u>15</u> |
| Total Employees | <u>2,094</u> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|-----------------------|----------------|-----------------------|
| Due to time constraints, the findings for this department have been deferred to a future audit. | | | |

City of Philadelphia
 Department of Records
 Findings and Recommendations
 Fiscal Year 2022

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> James Leonard, Commissioner Department of Records Room 156 City Hall Philadelphia, PA 19107 | <u>Appropriations:</u> General Fund \$3,912,713 Capital Fund <u>375,000</u> Total Appropriations <u>\$4,287,713</u> | <u>Estimated Revenues:</u> Non-Tax Revenue <u>\$34,984,000</u> |
| | | <u>Number of Full Time Employees:</u> Civil Service 51 Exempt <u>3</u> Total Employees <u>54</u> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|--|--|---|
| <p>PERSONAL SERVICES</p> <p><u>Employee overtime was still not always properly authorized.</u> For two out of five employees selected for testing, we found that overtime authorization forms were not properly prepared for four out of 25 overtime dates tested. For these two employees, the department was unable to provide approved overtime authorization forms for three overtime dates. Also, for one sampled date, the number of overtime hours for which the employee was paid exceeded the number of hours that the employee was approved to work.</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 [103121.02].</p> | <p>Employees will be required to submit justification plans and goals to be accomplished while working overtime. The department will only approve overtime for units that submit overtime justifications and plans along with their overtime authorization forms.</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|---|--|---|
| <p>(continued)</p> <p>During fiscal year 2022, these two employees – a clerical supervisor and an office clerk – earned a combined total of \$60,465 in overtime, which represented 21 percent of the Records Department’s total overtime expenditures for the year.</p> | | | |
| <p><u>A formal lateness policy was still not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p> | <p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete workday.</p> | <p>Compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [103120.01].</p> | <p>The Department in collaboration with Human Resources and Labor Relations created an attendance and leave policy which was shared with the supervisory team. The policy will be disseminated to all team members who will be required to review and sign the document to acknowledge compliance.</p> |
| <p><u>The city sick leave policy was not properly enforced.</u> The Department of Records did not properly enforce the sick leave policy for the two civil service employees we tested. The two employees each used eight or more days of undocumented sick leave, but they were not placed on the Excessive Use of Sick Leave List since the department failed to issue the eighth-day letters notifying them of placement on the list. Also, for both employees, the department did not issue the fifth-day warning letters in a timely manner, with one of them receiving the letter more than three months after the fifth day. Consequently, one of the two employees continued to use and be paid for uncertified sick leave in violation of the city’s Sick Leave Rules and Regulations. The department should have counseled this employee</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.</p> | <p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [103120.02].</p> | <p>The Department receives excessive use of sick leave notices from our human resource team. Once they are issued from HR, the supervisor provides consultation to the employee. To resolve this finding, the department will communicate more frequently with the HR team in order to ensure notices are issued in a timely manner, and any disciplinary action occurs in a timely manner.</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|--|---|-----------------------|
| <p>(continued)</p> <p>and imposed the following 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> | | | |
| 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> 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"> • For 11 sample dates involving two employees, the department could not provide any leave request documentation. • 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. | <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>Implemented.</p> |

| CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued) | | | |
|---|---|--|--------------------------|
| 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 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.</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 \$37. Additionally, another separated employee was underpaid by \$107.</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 a PCA for the overpayment and contact the Finance Office regarding the terminal leave payment due to the employee [103121.03].</p> | <p>Implemented.</p> |

City of Philadelphia
Office of the Director of Finance and Sinking Fund Commission
Findings and Recommendations
Fiscal Year 2022

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.

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

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

Appropriations:

Finance

| | |
|----------------------------|------------------------|
| General Fund | \$1,910,786,019 |
| Water Fund | 132,977,257 |
| Special Gasoline Tax Fund | 1,000,000 |
| Grants Revenue Fund | 1,575,001,195 |
| Aviation Fund | 62,613,271 |
| Community Development Fund | 25,579,693 |
| Acute Care Hospital Fund | 344,280 |
| Budget Stabilization Fund | 1,000 |
| Capital Fund | <u>106,250,000</u> |
| Total Finance | <u>\$3,814,552,715</u> |

Sinking Fund Commission

| | |
|---------------------|-----------------------|
| General Fund | \$ 297,227,515 |
| Water Fund | 201,542,300 |
| Aviation Fund | 132,003,960 |
| Car Rental Tax Fund | <u>7,000,000</u> |
| Total Sinking Fund | <u>\$ 637,773,775</u> |

Total Appropriations \$4,452,326,490

Estimated Revenues:

Finance

| | |
|--------------------------|------------------------|
| Non-Tax Revenue | \$ 16,810,000 |
| From Other Governments | 2,248,821,000 |
| Revenue From Other Funds | <u>597,687,000</u> |
| Total Estimated Revenues | <u>\$2,863,318,000</u> |

Number of Full Time Employees:

Finance

| | |
|-----------------|------------|
| Civil Service | 78 |
| Exempt | <u>44</u> |
| Total Employees | <u>122</u> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|-----------------------|----------------|-----------------------|
| Due to time constraints, the findings for this department have been deferred to a future audit. | | | |

City of Philadelphia
 Department of Revenue*
 Findings and Recommendations
 Fiscal Year 2022

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. In fiscal year 2022, there was a \$29 million increase in estimated revenues from other governments due to (1) an increase in anticipated revenues from the Philadelphia Parking Authority for its on-street operations and (2) funding for the delinquent tax collection program.

| | | |
|---|---|---|
| <u>Name and address of department head</u> Kathleen McColgan, Acting Commissioner Department of Revenue Municipal Services Building, 6 th Floor 1401 John F. Kennedy Boulevard Philadelphia, PA 19102 | <u>Appropriations:</u> General Fund \$26,943,273 Water Fund 16,836,098 Grants Revenue Fund 19,650,000 Acute Care Hospital Fund 45,000 Total Appropriations <u>\$63,474,371</u> | <u>Estimated Revenues:</u> Tax Revenue \$3,673,156,000 Non-Tax Revenue 699,530,000 From Other Governments <u>60,434,000</u> Total Estimated Revenues <u>\$4,433,120,000</u> |
| | | <u>Number of Full Time Employees:</u> Civil Service 462 Exempt 33 Total Employees <u>495</u> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|---|--|---|
| <p>PETTY CASH</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 five of the nine bank and fund reconciliations were not performed in a timely manner for all three of the department's petty cash accounts (General, Water Revenue, and Legal Services).</p> | <p>Failure to timely perform monthly bank and 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.</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 [103622.01].</p> | <p>At times, there were delays obtaining all of the authorized signatures due to work and leave schedules. To avoid reconciliation delays, Revenue recently started submitting the reconciliations once they have been reviewed and signed by the reviewer, even if not all authorized signatures are obtained. Once all signatures are obtained, the completed monthly signature form will be resubmitted.</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|--|--|---|
| <p><u>For the fourth year, we are reporting that the department failed to adequately segregate duties for the department's three petty cash funds. Also, an unauthorized individual was acting as custodian.</u> During our review of the Department's petty cash fund in April 2022, we noted that the same employee was the assigned custodian as well as the reviewer of bank and fund reconciliations for all three of the department's petty cash accounts (General, Water Revenue, and Legal Services).</p> <p>Also, as of April 2022, we noted that the employee acting as the custodian was not the individual listed as custodian in the city's accounting system for all three petty cash accounts. According to the 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.</p> | <p>Failure to assign a different individual as custodian for each of the three petty cash funds as well as a different employee to review the bank and fund reconciliations creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties. Also, failure to follow established procedures when there is a change in 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.</p> | <p>Management should assign a different individual as custodian for each of the three petty cash accounts and designate an employee other than the custodian to review the bank and fund reconciliations. An Agency Request for Petty Cash Changes form should be submitted to the Finance Office whenever the petty cash custodian changes, in accordance with standard accounting procedures of the city's Finance Office [103618.01].</p> | <p>Due to high turnover and challenges filling vacancies over the last few fiscal years, it was difficult to fully segregate responsibilities for the petty cash funds. However, Revenue currently has two petty cash custodians. All forms are completed and submitted to Finance and the Controller's Office. As recommended, the issue with the reviewer was resolved beginning with the May 2022 reconciliations and the petty cash custodian issue was resolved in November 2023. Going forward, the Department will continue to perform and submit the reconciliation in a timely manner and in accordance with the City's standard operating procedures.</p> |
| <p>PERSONAL PROPERTY</p> <p><u>Personal property items reported as "cannot locate" items were still not properly removed from the city's database after three years.</u> During our review of the city's personal property database, we noted 1,586 items, valued at \$3,337,695, 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 those on the database [103621.02].</p> | <p>As a corrective action, in 2022, the Department implemented a process to maintain accurate records for personal property. With the Department of Procurement's approval, Revenue updated the inventory field point list to include a specific location field. Also, the Department strengthened the disposal process by submitting via email the required documentation to Procurement as evidence that the disposal was completed. The</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|---|---|--|
| | | | <p>(continued)</p> <p>Procurement Department now updates Revenue's personal property information on the City's Database and removes disposed items. The last inventory count showed 833 CNL items. Most of these items are from prior to 2019.</p> |
| <p>PERSONAL SERVICES</p> <p><u>Ineligible employees received cash overtime.</u> Our review of overtime payments for the first three quarters of fiscal 2022 found that two Department of Revenue employees, who were ineligible to receive cash compensation for overtime worked and instead should have earned compensatory time, erroneously received cash overtime. For both employees, their overtime hours were incorrectly entered into the city's OnePhilly payroll system using a cash overtime code rather than the correct code for compensatory time earned. Also, one of the two employees had the wrong earning policy code assigned in OnePhilly, which erroneously listed the employee as being eligible to receive cash overtime.</p> | <p>Erroneous cash overtime payments occurred and were not detected. As a result, two ineligible employees incorrectly received cash overtime payments totaling \$6,193.</p> | <p>Require that employees assigned to approve the bi-weekly payroll and spot-check the appropriateness of payroll data entries, ensure that the correct overtime codes are used for employees ineligible to receive cash overtime. Also, human resources personnel should ensure that all employees ineligible to receive cash overtime are assigned the correct earning policy code in OnePhilly. For all identified overtime payments to ineligible employees, take action to recover the monies from the employees and ensure that the employees receive the correct compensatory time earnings [103622.02].</p> | <p>Starting in 2022, the Department implemented a practice of reviewing and comparing side-by-side columns of our OnePhilly ATI Pay Grade and Earning Policy reports for each Revenue employee prior to each payroll closing. The Earning Policy set for each employee will prevent erroneous cash overtime payouts for ineligible employees regardless of how their overtime is coded on timecards in the OnePhilly payroll system.</p> <p>Regarding the recommended recovery of erroneous cash overtime payments as compensatory time in-retro, it was determined with consultation with the Law Department, at the time the errors were discovered, that the employees would retain the cash payout since the employees maxed out compensatory time earning while performing critical and time sensitive functions for the Department's Refunds Unit. If this work was not performed, the city would have to pay interest on money due to taxpayers. However, no further cash overtime compensation was permitted for these employees after the initial error was discovered.</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|--|--|---|
| <p><u>Employee overtime was not always properly authorized.</u> For one out of five sampled employees, the department was unable to provide the approved overtime authorization forms for two of the five overtime dates tested for the employee.</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 [103622.03].</p> | <p>Managers are required to submit written overtime authorization prior to the close of the pay period in which the overtime was worked. Since 2022, Revenue's Payroll Unit has stopped paying cash overtime or grant compensatory time until written overtime authorization is received.</p> |
| <p><u>City sick leave policy was still not properly enforced.</u> Out of five sampled civil service employees, the department did not properly enforce the city's sick leave policy for three employees, who each used over eight undocumented sick days during calendar year 2021. Two of the three employees were not placed on the Excessive Use of Sick Leave List while the department placed the third employee on the list in an untimely manner, issuing the eighth-day notification letter almost three months after the employee's eighth undocumented sick day. Also, for one of the three employees, the department did not issue the fifth-day warning notice in a timely manner. Consequently, all three employees were not penalized according to the city's Sick Leave Rules and Regulations, and the three employees continued to use and be paid for both certified and uncertified sick leave in violation of this policy. The department should have counseled these employees and imposed the following 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> | <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 enforced by management [103620.02].</p> | <p>Due to the Covid pandemic and the validation process for sick leave usage, some notices were either not received or not received untimely. In 2023, Excessive Use of Sick Leave List warnings and placement letters started automatically generating out of the OnePhilly payroll system. These warnings and letters are emailed by OnePhilly to the payroll supervisor, HR staff, and the impacted managers and employees. This ensures timely notification and counseling of employees. Revenue also keeps a database to ensure proper disciplinary action is taken.</p> |

| CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS | | | |
|---|---|--|---------------------|
| Prior Observation/Condition | Risk/Potential Effect | Recommendation | Corrective Action |
| <p><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.</p> | <p>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.</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 [103621.01].</p> | <p>Implemented.</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>Implemented.</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>Implemented.</p> |

City of Philadelphia
Procurement Department
Findings and Recommendations
Fiscal Year 2022

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> Monique Nesmith-Joyner, Commissioner Procurement Department 120 Municipal Services Bldg. 1401 John F. Kennedy Boulevard Philadelphia, PA 19102 - 1685 | <u>Appropriations:</u> General Fund \$6,056,338 Water Fund <u>107,411</u> Total Appropriations \$ <u>6,163,749</u> | <u>Estimated Revenues:</u> Non-Tax Revenues \$ <u>360,000</u> | <u>Number of Full Time Employees:</u> Civil Service 29 Exempt <u>8</u> Total Employees <u>37</u> |
|---|---|--|---|

| Observation / Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|--|--|--|
| <p>PERSONAL PROPERTY</p> <p><u>Disposed property was not properly removed from the Procurement Department's Personal Property database.</u> During our review, we noted that six of ten property disposals, selected from the Prison System's and Police Department's property records, were not removed from the city's database. In each instance, the custodian department performed the proper procedures for the disposal of obsolete equipment, however 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>Procurement will continue to communicate and work with partnering departments to ensure that all property is properly disposed of and recorded/removed from proper databases.</p> |

| Observation / Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|--|--|--|
| <p>PERSONAL SERVICES</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 10 sample overtime dates we selected for testing.</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 engage with department managers and supervisors to ensure that all departmental overtime requests and approvals received via email are maintained and archived. The department will continue to follow-up with overtime approval in OnePhilly via the comments section. In addition, the Procurement Department will consult with our HR partners to better understand citywide practices as it pertains to overtime record management.</p> |

| CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS | | | |
|---|--|---|---------------------|
| Prior Observation/Condition | Risk/Potential Effect | Recommendation | Corrective Action |
| <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>Implemented.</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"> • 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. • For one sampled date, the department could not provide the overtime authorization form. • For another sampled date, the overtime authorization form was not approved by a supervisor. | <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>Implemented.</p> |

City of Philadelphia
Office of the Director of Commerce
Findings and Recommendations
Fiscal Year 2022

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.¹ In fiscal year 2022, Commerce’s appropriations increased by \$28.4 million. This was primarily due to a \$14 million increase in General Fund appropriations earmarked for hospitality, economic development, and workforce initiatives; and a \$13 million increase in Capital Fund appropriations reserved for Philadelphia Industrial Development Corporation (PIDC) landbank acquisitions and improvements.

Name and address of department head

Anne K. Nadol²
Director of Commerce
1515 Arch Street – 12th Floor
Philadelphia, PA 19102

Appropriations:

| | |
|----------------------------|----------------------|
| General Fund | \$ 35,655,094 |
| Hotel Tax Fund | 50,000,000 |
| Grants Revenue Fund | 10,297,615 |
| Community Development Fund | 17,459,872 |
| Capital Fund | <u>198,852,000</u> |
| Total Appropriations | <u>\$312,264,581</u> |

Estimated Revenues:

| | |
|--------------------------|---------------------|
| From Other Governments | \$27,758,000 |
| Hotel Room Rental Tax | <u>50,000,000</u> |
| Total Estimated Revenues | <u>\$77,758,000</u> |

Number of Full Time Employees:

| | |
|-----------------|-----------|
| Civil Service | 10 |
| Exempt | <u>49</u> |
| Total Employees | <u>59</u> |

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

¹ During fiscal year 2023, the Division of Aviation became known as the Department of Aviation. The department was created by an amendment to the Philadelphia Home Rule Charter and approved by the voters at the election held on November 8, 2022, and certified on December 4, 2022.

² Anne K. Nadol was the commerce director at the time that the fiscal year 2022 report was presented to the department. The current commerce director is Alba Martinez.

City of Philadelphia
 Department of Aviation
 Findings and Recommendations
 Fiscal Year 2022

Functions

The Department of Aviation (DOA), formerly the Division of Aviation under the city’s Commerce Department, was created by an amendment to the Philadelphia Home Rule Charter approved by the voters at the election held on November 8, 2022 and effective as of January 1, 2023. The DOA 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, who is appointed by the mayor, heads the department.

Name and address of department head
 Atif Saeed, Chief Executive Officer
 Department of Aviation
 2 International Plaza, Suite 325
 Philadelphia, PA 19113

Appropriations:
 Aviation Fund \$150,600,000
 Capital Fund 261,150,000
 Total Appropriations \$411,750,000

Estimated Revenues:
 Non-Tax Revenues \$277,418,000
 From Other Governments 95,346,000
 From Other Funds 1,300,000
 Total Estimated Revenues \$374,064,000

Number of Full Time Employees:
 Civil Service 575
 Exempt 23
 Total Employees 598

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|-----------------------|----------------|-----------------------|
| Due to time constraints, the findings for this department have been deferred to a future audit. | | | |

City of Philadelphia
Law Department
Findings and Recommendations
Fiscal Year 2022

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. In fiscal year 2022, the number of full-time exempt employees increased from 148 to 194 and the Law Department's appropriations increased by \$4.9 million, which was primarily due to a partial consolidation of positions and salaries for Law Department attorneys previously funded by other city agencies.

| | | |
|--|--|--|
| <u>Name and address of department head</u> Diana P. Cortes, City Solicitor ¹ Law Department 17 th Floor, One Parkway Building 1515 Arch Street Philadelphia, PA 19102 | <u>Appropriations:</u> General Fund \$18,947,270 Water Fund 3,933,016 Aviation Fund 1,584,820 Community Development Fund 195,573 Total Appropriations <u>\$24,660,679</u> | <u>Estimated Revenues:</u> Non-Tax Revenue \$800,000 From Other Governments 196,000 Total Estimated Revenues <u>\$996,000</u> |
| | | <u>Number of Full Time Employees:</u> Civil Service 26 Exempt 194 Total Employees <u>220</u> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|--|---|--|
| <p>PETTY CASH</p> <p><u>An overage still existed in the Law Department's petty cash account.</u> During our review of the department's petty cash account, we noted that the fund had an overage of \$3,061, primarily consisting of \$2,988 in voided checks that were previously submitted for reimbursement. The department could not explain the remaining \$73 overage.²</p> | <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].</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> |

¹ Diana P. Cortes was the city solicitor at the time that the department provided its response to the fiscal year 2022 report. The current city solicitor is Renee Garcia.

² The fiscal year 2021 report noted an unexplained shortage of \$118 in the Law Department's petty cash account. Since the current review noted an unexplained \$73 overage, the prior year recommendation regarding the shortage (recommendation number 104419.01) is now not applicable and will no longer be reported.

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|---|---|--|
| <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 five out of the seven bank and fund reconciliations tested 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 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 [104421.02].</p> | <p>This deficiency has been noted, and moving forward, all bank and fund reconciliations will be prepared in a timely manner, with a target completion on or before the end of the subsequent month, in accordance with the Finance Office's standard accounting procedures.</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, dating back to 2018, totaling \$6,802, 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 [104421.04].</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 rectify this finding.</p> |
| <p>PERSONAL SERVICES</p> <p><u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> For one of the five employees tested, two leave requests provided by the department were prepared and approved after we requested the documents.</p> | <p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p> | <p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [104420.01].</p> | <p>All employees are regularly reminded and required to submit leave request slips with supervisory approval. We will continue to stress the importance of preparing, and collecting leave documentation to staff and senior management, respectively.</p> |
| <p><u>For the seventh year, we have reported that the city's sick leave policy was not properly enforced.</u> While there was some improvement in how the Law Department enforced the city's sick leave policy for its civil service workforce, we still noted the following:</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.</p> | <p>We continue to recommend that the Law Department enforce the city's sick leave policy for its civil service staff, including employee counseling and any subsequent sanctions set forth in the policy [104420.02].</p> | <p>The Law Department will continue to implement and enforce the City's sick leave policy for civil service staff, including maintenance of documentation justifying certified leave and the timely issuance of warning letters.</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|-----------------------|---|---|
| <p>(continued)</p> <ul style="list-style-type: none"> The department was unable to provide medical certificates supporting certified sick leave for seven out of the 62 sick dates tested. The department did not provide a medical certificate supporting 2 1/3 consecutive sick days used by one employee. Two of the five civil service employees tested did not receive a fifth-day warning letter, and another employee was not issued the fifth-day warning letter in a timely manner. These employees used less than eight uncertified sick days for calendar year 2021. <p>Additionally, the Law Department still has not designed and implemented a sick leave policy for its exempt staff. The department's exempt employees are not subject to the same policy required for its civil service staff, but we noted that:</p> <ul style="list-style-type: none"> Three exempt employees used 15 or more undocumented sick days during calendar year 2021. These three employees received \$15,400 in paid sick leave that they would not have been entitled to, had the department enforced the city's sick leave policy against its exempt employees. The department also did not provide medical certificates supporting 12 consecutive sick days used by one exempt employee and three consecutive sick days used by another exempt employee. | | <p>(continued)</p> <p>Additionally, department management should implement and enforce a sick leave policy for its exempt employees. The policy for exempt employees should be specific in terms of defining abuse, include employee counseling, and specify the sanctions that will occur when abuse takes place [104413.01].</p> | <p>(continued)</p> <p>Exempt employees are not covered by Civil Service Regulations and therefore the City's sick leave policy for civil service employees does not apply. Exempt employees are at will employees and can be terminated for any reason, at any time.</p> |

| CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS | | | |
|--|---|---|--------------------------|
| Prior Observation/Condition | Risk/Potential Effect | Recommendation | Corrective Action |
| <p><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.</p> | <p>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.</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 [104421.03].</p> | <p>Implemented.</p> |

City of Philadelphia
Board of Ethics
Findings and Recommendations
Fiscal Year 2022

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, 18th Floor
Philadelphia, PA 19102-1504

Appropriations:

General Fund \$975,196

Estimated Revenues:

Non-Tax Revenue \$160,000

Number of Full Time Employees:

Civil Service 2
Exempt 7
Total Employees 9

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

City of Philadelphia
Office of the Inspector General
Findings and Recommendations
Fiscal Year 2022

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 \$1,607,423

Estimated Revenues:
Non-Tax Revenue \$20,000

Number of Full Time Employees:
Exempt 16

| Observation/Condition | Risk/Potential Effect | Recommendation | Department’s Response |
|--|--|---|---|
| <p>PERSONAL SERVICES</p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> For the five employees tested, the department could not provide formal approved leave requests for all 23 sample dates selected for testing. Each employee used consecutive vacation days. OIG management informed us that the department does not use written leave request forms. Instead, employees submit leave requests on an internal calendar or through the office’s group email box.</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 [104822.01].</p> | <p>Since our previous audit we have rectified this issue and every employee going forward submits leave requests that are signed off by their supervisor. Once signed the supervisor or employee leave slips are filed away and kept in our file folder. These are paper forms each employee fills out.</p> |

City of Philadelphia
Office of Sustainability*
Findings and Recommendations
Fiscal Year 2022

Functions

The Office of Sustainability (OOS) was established in 2008 as the Mayor’s Office of Sustainability. The OOS became permanent after approval of the voters at the election held on November 4, 2014, and certified on November 24, 2014. The Director of Sustainability is appointed by the mayor. The 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> Elizabeth Lankenau, Interim Director Office of Sustainability One Parkway Building 1515 Arch Street, 13 th Floor Philadelphia, PA 19102 | <u>Appropriations:</u> General Fund Water Fund Grants Revenue Fund Aviation Fund Capital Fund Total Appropriations | \$1,574,587 132,874 488,356 110,873 <u>1,220,000</u> <u>\$3,526,690</u> | <u>Estimated Revenues:</u> Non-Tax Revenue From Other Governments Total Estimated Revenues <u>Number of Full Time Employees:</u> Exempt | \$398,000 <u>90,000</u> <u>\$488,000</u> <u>13</u> |
|--|--|--|--|---|

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|--|---|---|
| <p>PERSONAL SERVICES</p> <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The Office of Sustainability was unable to provide formally approved leave requests for three out of the five employees selected for testing. Of the ten sample dates involved, management could not provide documentation supporting eight of the days used. Additionally, leave requested through email by one sample employee did not contain evidence of supervisory approval for any of the four consecutive days used.</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 [104917.01].</p> | <p>Starting September 1, 2023, OOS will standardize protocols for staff to document requested/approved leave via email and use of the Recommended form.</p> |

City of Philadelphia
The Free Library of Philadelphia
Findings and Recommendations
Fiscal Year 2022

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 \$42,786,864
Grants Revenue Fund 8,423,518
Capital Fund 7,270,000
Total Appropriations \$58,480,382

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 623
Exempt 5
Total Employees 628

| Observation/Condition | Risk/Potential Effect | Recommendation | Department’s Response |
|--|---|---|--|
| <p>PERSONAL SERVICES</p> <p><u>Ineligible employees received cash overtime.</u> Our review of overtime payments for the first three quarters of fiscal 2022 found that three Library employees, who were ineligible to receive cash compensation for overtime worked and instead should have earned compensatory time, erroneously received cash overtime. For all three employees, their overtime hours were incorrectly entered into the city’s OnePhilly</p> | <p>Erroneous cash overtime payments occurred and were not detected. As a result, three ineligible employees incorrectly received cash overtime payments totaling \$1,810.</p> | <p>Require that employees assigned to approve the bi-weekly payroll and spot-check the appropriateness of payroll data entries ensure that the correct overtime codes are used for employees ineligible to receive cash overtime. Also, human resources personnel should ensure that all employees ineligible to receive cash</p> | <p>Since the time of this observation, FLP Payroll has diligently reviewed the Assignment Time Information report each pay period in OnePhilly to ensure the correct earning policy is assigned to employees based on the salary grade of their job class.</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|--|---|--|
| <p>(continued)</p> <p>payroll system using a cash overtime code rather than the correct code for compensatory time earned. Also, one of the three employees had the wrong earning policy code assigned in OnePhilly, which erroneously listed the employee as being eligible to receive cash overtime.</p> | | <p>(continued)</p> <p>overtime are assigned the correct earning policy code in OnePhilly. For all identified overtime payments to ineligible employees, take action to recover the monies from the employees and ensure that the employees receive the correct compensatory time earnings [105222.01].</p> | <p>(continued)</p> <p>Additionally, FLP will create an internal audit process where the payroll and clerical supervisors will spot check the pay related data entry work of departmental payroll and data services support clerks.</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 two employees separated while possessing negative leave balances at the time of termination. Subsequently, the department failed to submit Payroll Credit Advices (PCAs) for the overpayments.</p> | <p>Errors or irregularities occurred and were not detected during the normal process of preparing the bi-weekly payroll. Our testing noted that the two separated employees were overpaid by a total of \$2,092.</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 [105222.02].</p> | <p>The goal is to have the HR payroll unit complete outstanding PCAs immediately following the verification of negative balances, and before the processing of the terminal leave. Additionally, any outstanding PCAs will be completed within the next 3-6 months. Lastly, FLP will create an internal audit process where the payroll and clerical supervisors will spot check the pay related data entry work of departmental payroll and data services support clerks.</p> |
| <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> During our review, we noted that documentation supporting and authorizing employee leave time was not properly prepared for four of the five employees tested. Specifically, for five out of the 16 dates selected for testing, we noted the following:</p> <ul style="list-style-type: none"> For two of the 16 dates, the leave request forms were not signed by the supervisor. | <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 [105222.03].</p> | <p>The unfortunate ongoing attrition of the payroll unit since 2020 has created a challenge with existing staff working overtime to try and keep up with and ensure all forms are received and verified in a timely fashion.</p> <p>The HR payroll unit will continue to work on improving the verification of timecard records to include verifying receipt of formal leave request forms. Additionally,</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|--|---|--|
| <p>(continued)</p> <ul style="list-style-type: none"> For three of the 16 dates, the department was unable to provide formal approved leave requests. | | | <p>(continued)</p> <p>sending refresher reminders of the importance for FLP to adhere to the standard accounting procedures of the city's Finance Office to supervisors once or twice a year to improve compliance.</p> |
| <p><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.</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 [105222.04].</p> | <p>FLP HR notifies managers and supervisors in January of the mid-February deadline of completing performance reviews for the prior calendar year to allow the HR transaction team ample time to submit the performance reviews in OnePhilly. As of 2024 FLP management was advised that incomplete performance reports for staff could result in corrective action. Additionally, there is a plan to provide periodic weekly or bi-weekly reminders to reach 100% completion.</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 two of the five employees tested. Specifically, for six out of the 25 dates selected for testing, we noted the following:</p> <ul style="list-style-type: none"> For five of the 25 dates which involved the two employees, the number of overtime hours worked by the employee exceeded the number of overtime hours that the employee was approved to work. | <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. Also, payroll unit personnel should ensure that actual overtime hours worked do not exceed the approved overtime hours per the overtime authorization forms [105221.01].</p> | <p>The unfortunate ongoing attrition of the payroll unit since 2020 has created the challenge of completing more verifications of records.</p> <p>The Free Library uses an approval process for overtime, and will enhance the process to ensure that updated overtime authorization documentation is completed if the overtime exceeds the original approval time or take appropriate corrective action if the additional overtime was not authorized.</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|---|--|---|
| <p>(continued)</p> <ul style="list-style-type: none"> For one of the 25 dates, the overtime authorization form was not signed by the supervisor. <p>The six instances for which overtime authorization forms were not properly prepared pertained to a municipal guard supervisor and a building maintenance supervisor, who during fiscal year 2022 earned a combined \$52,571 in overtime, which represented 9 percent of the department's total overtime expenditures for the year.</p> | | | |
| <p><u>For the fifth consecutive year, we have reported that the city sick leave policy was not properly enforced.</u> The department failed to properly enforce the city's sick leave policy for all five civil service employees tested, all of whom used over eight days of undocumented sick leave during calendar year 2021. Three of the five employees were not issued the fifth-day warning and eighth-day placement letters; therefore, they were not placed on the Excessive Use of Sick Leave List or penalized according to the city's Sick Leave Rules and Regulations. The 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. The other two employees tested received their fifth-day warning and eighth-day placement letters, and they were placed on the Excessive Use of Sick Leave List and penalized for subsequent sick usage; however, the</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.</p> | <p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be enforced by management [105218.01].</p> | <p>The unfortunate ongoing attrition of the payroll unit since 2020 has created the challenge of keeping up with this responsibility; however, with the increase in HR staff as of 2023 we have been able to designate the responsibility to a senior HR professional to ensure our consistent adherence to this requirement.</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|-----------------------|----------------|-----------------------|
| <p>(continued)</p> <p>department did not perform these actions in a timely manner. Consequently, all five employees tested continued to use and be paid for both certified and uncertified sick leave after the eighth undocumented sick day in violation of the city's policy. Additionally, for the five employees tested, the department was unable to provide the supporting medical certificates for 58 of 152 sick leave dates 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>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> | <p>Employees may erroneously be paid for time not worked or fail to be paid for time that was worked.</p> | <p>Someone at a higher level than the employees listed on the daily attendance records should review and formally approve them [105217.01].</p> | <p>Implemented.</p> |

City of Philadelphia
 Commission on Human Relations
 Findings and Recommendations
 Fiscal Year 2022

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 \$2,387,728

Estimated Revenues:

From Other Governments \$125,000

Number of Full Time Employees:

Civil Service 30
 Exempt 2
 Total Employees 32

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 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]. | Implemented. |

| CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued) | | | |
|---|---|---|--------------------------|
| Prior Observation/Condition | Risk/Potential Effect | Recommendation | Corrective Action |
| <p><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.</p> | <p>Employees may erroneously be paid for time not worked or fail to be paid for time that was worked.</p> | <p>Someone at a higher level than the employees listed on the daily attendance records should review and formally approve them [105417.01].</p> | <p>Implemented.</p> |

City of Philadelphia
Office of Human Resources and Civil Service Commission
Findings and Recommendations
Fiscal Year 2022

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. In fiscal year 2022, there was a \$25 million increase in the CSC’s General Fund appropriations due to a labor reserve for provisions for future labor agreements.

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

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

Appropriations:
Office of Human Resources
General Fund \$6,470,804

Civil Service Commission
General Fund \$25,207,742

Estimated Revenues:
Office of Human Resources
Non-Tax Revenue \$1,000

Number of Full Time Employees:
Office of Human Resources
Civil Service 68
Exempt 5
Total Employees 73

Civil Service Commission
Civil Service 2

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|--|---|---|
| <p>PETTY CASH</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"> • The beginning book balance from the bank reconciliation exceeded the beginning book balance of the checkbook by \$922. • The reconciled cash balance from the bank reconciliation exceeded the cash balance in the fund reconciliation by \$897. | <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 department is working on updating our petty cash records so that bank and fund reconciliations are accurate, and properly prepared in accordance with the city's standard accounting procedures, moving forward.</p> |
| <p><u>Monthly petty cash fund reconciliations had still not been performed in a timely manner.</u> During our review of the department's petty cash records, we noted that all eight fund reconciliations tested were not performed in a timely manner. The fund reconciliations for July 2021 through February 2022 were signed by the preparer on April 8, 2022, and approved by the reviewer on April 18, 2022.</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 and approved in accordance with standard accounting procedures of the city's Finance Office [105621.02].</p> | <p>Processes have been implemented to help ensure that reconciliations are being completed and submitted in a timely manner.</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 \$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 accounting 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 |
|--|---|---|--|
| <p><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 a responsible person. All eight bank reconciliations were completed on an outdated version of the city's standard bank reconciliation form (form 71-77) which did not contain a field for the reviewer's approval.</p> | <p>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.</p> | <p>Management should ensure that bank reconciliations are prepared using the current version of form 71-77. Also, management should assign a third person other than the custodian and preparer to review the reconciliations. This review should be evidenced by a signature in accordance with the standard accounting procedures of the city's Finance Office [105617.01].</p> | <p>This has been corrected and there are two separate approvers outside of the custodian and preparer.</p> |
| <p>IMPREST FUNDS</p> <p><u>For the fourth 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 four of the eight fund reconciliations tested were not performed in a timely manner.</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 fund balance may not be accounted for.</p> | <p>Management should ensure monthly fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [105619.01].</p> | <p>Processes have been implemented to help ensure that reconciliations are being completed and submitted in a timely manner.</p> |
| <p>PERSONAL SERVICES</p> <p><u>Attendance records could not be provided.</u> For one of the five sampled employees, the department was unable to provide the daily timesheets for the entire selected bi-weekly pay period.</p> | <p>Loss of original documentation may conceal anomalies or alterations only apparent in the original paperwork. Any loss of records supporting department activities undermines the ability to effectively monitor and control departmental operations.</p> | <p>Maintain and safeguard documentary evidence such as daily timesheets in order to support the validity of departmental transactions [105622.01].</p> | <p>The process has been reviewed and timesheets are being maintained by the unit.</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|--|---|--|
| <p><u>Employee evaluations were still not recently performed.</u> The department could not provide recent employee evaluations for four 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 [105621.06].</p> | <p>The department has implemented weekly progress reports during the month that evaluations are due, that go to the Director and Deputy Directors so that any outstanding reports for that year are addressed.</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 not routinely prepared.</u> For the five employees tested, the department was unable to provide formal approved leave requests for all six 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 [105621.04].</p> | <p>Implemented.</p> |
| <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>Implemented.</p> |

City of Philadelphia
Office of Property Assessment
Findings and Recommendations
Fiscal Year 2022

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 \$16,783,833

Estimated Revenues:
Non-Tax Revenue \$2,000

Number of Full Time Employees:
Civil Service 166
Exempt 11
Total Employees 177

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|--|--|---|
| <p>PETTY CASH</p> <p><u>The department's petty cash fund has not been properly reconciled.</u> During our review of the department's petty cash records,¹ we noted that bank and fund reconciliations for the period of October 2021 through February 2022 were not correctly prepared. Errors noted in the bank reconciliations included:</p> <ul style="list-style-type: none"> In the bank reconciliation's section that should list the beginning and ending book balances as well as the month's activity per the department's accounting records, instead the balances and activity per the bank statement were erroneously recorded in this section. | <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, which should include providing the necessary 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 [105922.01].</p> | <p>OPA has put in in place the appropriate checks and balances to ensure the submissions of the petty cash and bank reconciliations are in accordance with the standard accounting procedures.</p> <p>A shortage memo outlining the reason for the shortage was submitted to Finance's Financial Verification Unit on June 22, 2022. OPA received no further request to submit more documentation regarding this issue.</p> |

¹ We reviewed bank and fund reconciliations for the period of July 2021 through February 2022.

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|-----------------------|----------------|-----------------------|
| <p>(continued)</p> <ul style="list-style-type: none"> • For two months when there were outstanding checks at month-end, the outstanding checks were not recorded on the bank reconciliation. <p>The fund reconciliations submitted by the department did not accurately reconcile fund activity to the authorized amount, as follows:</p> <ul style="list-style-type: none"> • The bank statement's beginning cash balance was incorrectly recorded as the reconciled bank balance on the fund reconciliation. • For two months, the paid checks total per the bank statement was erroneously used as the bills to be vouchered amount. For another month, the bills to be vouchered amount was not recorded on the reconciliation. • On the reconciliation line where the authorized amount should have been listed, instead this line reflected the sum of the amounts recorded on the reconciliation. • Because of the errors noted above, the fund reconciliations were incorrectly showing the account to be over or under the authorized amount. For example, two reconciliations indicated an account shortage of \$504 while another reconciliation showed a \$424 overage. However, our review of the department's records noted a \$3 shortage in the account, which was carried forward from fiscal year 2021. <p>Lastly, the department was unable to provide supporting documentation for a \$54 petty cash disbursement.</p> | | | |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|--|--|--|
| <p><u>Monthly bank and fund reconciliations lacked evidence of approval.</u> During our review of the department's petty cash account, we noted that all eight bank and fund reconciliations tested did not have any indication that they were reviewed by the responsible person. Additionally, six of the eight bank reconciliations and five of the eight fund reconciliations were not signed by the preparer.</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 bank and fund reconciliations. This review should be evidenced by a signature in accordance with the standard accounting procedures of the city's Finance Office. Also, the preparer should sign the reconciliations to affix accountability [105922.02].</p> | <p>All bank monthly and bank reconciliations were reviewed and signed before submission to Accounting. OPA has installed the appropriate internal controls which are followed by the custodian, preparer, and reviewer to follow the procedures established by Finance.</p> |
| <p><u>Monthly petty cash bank and fund reconciliations were still not prepared in a timely manner.</u> During our review of the department's petty cash records, we noted that seven out of the eight bank and fund reconciliations tested were not performed in a timely manner. Three bank reconciliations and two fund 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>There was a transition during FY22 with preparers which caused the petty cash and bank reconciliations to become past due. OPA Management has taken the appropriate steps by having a new preparer in place to ensure the reconciliations are submitted in a timely manner.</p> |
| <p>PERSONAL SERVICES</p> <p><u>Unclaimed check was not promptly returned to the City Treasurer's Office.</u> During our testing, we observed one unclaimed payroll check which had not been returned to the City Treasurer's Office. This check was dated May 1, 2019, over three years prior to our testing date.</p> | <p>The department may not be able to maintain effective security over unclaimed checks and could jeopardize the city's compliance with the state's unclaimed monies law.</p> | <p>Unclaimed paychecks should be returned to the City Treasurer within one week if the employee could not be located or immediately if the employee is deceased [105922.03].</p> | <p>A weekly inspection of the payroll file has been assigned to payroll staff to ensure proper return of any unclaimed payroll checks in a timely manner.</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|---|--|---|
| <p><u>City sick leave policy was still not properly enforced.</u> Out of five sampled civil service employees, the department did not properly enforce the city's sick leave policy for three employees, who each used over eight undocumented sick days during calendar year 2021. One of the three employees was not placed on the Excessive Use of Sick Leave List while the department placed another employee on the list in an untimely manner, issuing the eighth-day notification letter three months after the employee's eighth undocumented sick day. Also, for two of the three employees, the department did not issue the fifth-day warning notices in a timely manner. Consequently, all three employees were not penalized according to the city's Sick Leave Rules and Regulations, and two of the three employees continued to use and be paid for both certified and uncertified sick leave in violation of this policy. The department should have counseled these employees and imposed the following 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. Lastly, for the five employees tested, the department was unable to provide the supporting medical certificates for 27 out of 57 sick leave instances reported as certified in the city's online payroll system.</p> | <p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</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 [105920.01].</p> | <p>Currently the Sick Abuse Report operates on a three-pay period delay which makes tracking sick abuse difficult. Notices still generate late, which employees have previously grieved with the help of the union. The Human Resources Department is making efforts to track employee Sick Usage, paying particular attention to the Employees on the Excessive Use of Sick List. For these employees the department is sending out written warnings and notices to employees who have sick violations even before the Unpaid notice is generated from One Philly. The department will strive to improve our process and enforcement of the sick policy.</p> |

| CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS | | | |
|---|---|--|--------------------------|
| Prior Observation/Condition | Risk/Potential Effect | Recommendation | Corrective Action |
| <u>Documentation supporting and authorizing employee leave time was not 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. | 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 [105921.02]. | Implemented. |

City of Philadelphia
Board of Revision of Taxes
Findings and Recommendations
Fiscal Year 2022

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 \$1,053,462

Estimated Revenues:
Non-Tax Revenue \$1,000

Number of Full Time Employees:
Civil Service 2
Exempt 12
Total Employees 14

| Observation/Condition | Risk/Potential Effect | Recommendation | Department’s Response |
|--|--|--|--|
| <p>PETTY CASH</p> <p><u>The department’s petty cash fund was still not properly reconciled.</u> During our current review, we noted that the monthly fund reconciliation was still not correctly prepared for the BRT’s petty cash account as follows:</p> <ul style="list-style-type: none"> • Petty cash disbursements for which reimbursement vouchers were not yet prepared were incorrectly recorded as reimbursement vouchers in transit instead of the proper category of bills to be vouchered. • One petty cash disbursement was erroneously recorded three times on the reconciliation, being included under the total for reimbursement vouchers in transit and then also listed under bills to be vouchered and temporary receipts. | <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 fund reconciliations are properly prepared in accordance with standard accounting procedures of the city’s Finance Office [106321.01].</p> | <p>BRT management and staff worked with the Petty Cash team to clarify portions of the instruction manual. One line on the fund reconciliation form was filled out incorrectly. We’ve since made corrections and have a clearer understanding going forward. For the previous 10 months, the BRT believed the forms were correct and were just recently notified of the error. The BRT has never had a cash shortage or lost/missing checks.</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|--|--|--|
| PERSONAL SERVICES | | | |
| <p><u>Ineligible employee received cash overtime.</u> Our review of overtime payments for the first three quarters of fiscal 2022 found that one BRT employee, who per BRT payroll personnel was a per diem employee ineligible for any type of overtime, erroneously received cash overtime. For this employee, his hours worked were incorrectly entered into the city's OnePhilly payroll system using a cash overtime code. Also, this employee had the wrong earning policy code assigned in OnePhilly, which erroneously listed the employee as being eligible to receive cash overtime.</p> | <p>Erroneous cash overtime payments occurred and were not detected. As a result, an ineligible employee incorrectly received cash overtime payments totaling \$600.</p> | <p>Require that employees assigned to approve the bi-weekly payroll and spot-check the appropriateness of payroll data entries, ensure that the correct hours type codes are used for employees ineligible to receive cash overtime. Also, human resources personnel should ensure that all employees ineligible to receive cash overtime are assigned the correct earning policy code in OnePhilly. For all identified overtime payments to ineligible employees, take action to recover the monies from the employees [106322.01].</p> | <p>In these instances, BRT personnel erroneously entered per diem hours on a city holiday. Since then, we've updated One Philly Assignment Time Info, to reflect NOT OVERTIME ELIGIBLE. We can recover funds from the employee over the next three pay periods which total \$600.35.</p> |
| CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS | | | |
| Prior Observation/Condition | Risk/Potential Effect | Recommendation | Corrective Action |
| <p><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.</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 bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [106321.02].</p> | <p>Implemented.</p> |

City of Philadelphia
Office of the Chief Administrative Officer
Findings and Recommendations
Fiscal Year 2022

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. The chief administrative officer is appointed by the mayor. In fiscal year 2022, CAO’s General Fund appropriations increased by \$4.6 million primarily due to the addition of the Operations Transformation Fund, which is managed by the CAO and provides financial support and direct technical assistance to city projects that aim to enhance government efficiency and, in turn, improve the lives of its residents.

| | | | | |
|--|--|---------------------|---|---------------------|
| <u>Name and address of department head</u> Stephanie Tipton, Chief Administrative Officer ¹ 1401 JFK Boulevard Room 630 Philadelphia, PA 19107 | <u>Appropriations:</u> General Fund | <u>\$10,944,536</u> | <u>Estimated Revenues:</u> Non-Tax Revenue | <u>\$10,320,000</u> |
| | | | <u>Number of Full Time Employees:</u> | |
| | | | Civil Service | 15 |
| | | | Exempt | <u>60</u> |
| | | | Total Employees | <u>75</u> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department’s Response |
|--|---|--|---|
| <p>PERSONAL SERVICES</p> <p><u>The city sick leave policy was not properly enforced.</u> The CAO did not properly enforce the sick leave policy for the three civil service employees we tested. One of the three employees, who used over eight days of undocumented sick leave, was not placed on the Excessive Use of Sick Leave List. Also, for all three employees, the department did not issue the fifth-day warning letters in a timely manner, with two of them receiving the letter more than three months after the fifth day. Consequently,</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.</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 [106522.01].</p> | <p>CAO will communicate the City sick leave policy to all Civil Service employees and counsel those Civil Service employees who are non-compliant, as well as enforce the required penalties for Excessive Use of Sick Leave.</p> |

¹ Stephanie Tipton was the chief administrative officer at the time that the department provided its response to the fiscal year 2022 report. The current chief administrative officer is Camille Duchaussee.

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|--|--|--|
| <p>(continued)</p> <p>the employee who used over eight undocumented sick days continued to use and be paid for both certified and uncertified sick leave in violation of the city's Sick Leave Rules and Regulations. The department should have counseled this employee and imposed the following 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. Lastly, for the three employees tested, the department was unable to provide the supporting medical certificates for five of 36 sick leave instances reported as certified in the city's online payroll system.</p> | | | |
| <p><u>Documentation supporting and authorizing employee leave time was not always prepared.</u> For one out of the five employees tested, the department could not provide formal approved leave requests for two of the 17 dates selected for testing. This one employee worked for the CAO's PHL Service Design Studio, which did not utilize leave request forms and instead used the Microsoft Outlook calendar to request leave.</p> | <p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p> | <p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [106521.01].</p> | <p>CAO will communicate to employees that leave requests are required to be approved in writing. CAO will communicate to all Deputies, Managers, and Supervisors, to save all correspondence related to Employee Leave Time so that it can be relayed to HR.</p> |
| <p><u>Payroll data entries were not adequately checked.</u> Two employees were erroneously paid overtime because incorrect payroll data entries on their timecards were not detected. Both employees were self-service employees in the city's OnePhilly payroll system so they entered their attendance information into their timecards, which were then approved by their supervisors. In both cases, the errors occurred</p> | <p>Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll. In the case of these two employees, they were erroneously paid total overtime of \$498.</p> | <p>Remind supervisors of the importance of checking the accuracy of attendance entries before approving OnePhilly timecards. Also, require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records and reviewing for incorrect and unusual</p> | <p>CAO will remind supervisors of the importance of checking the accuracy of attendance entries before approving OnePhilly timecards.</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|--|--|-----------------------|
| <p>(continued)</p> <p>for time entries on a city holiday where the employee deleted the holiday time entry automatically generated by the OnePhilly system and instead entered regular hours worked although the employee did not work on that holiday. The two employees' timecards were approved by their supervisors, who did not detect the errors.</p> | | <p>(continued)</p> <p>entries. For any errors found, action should be taken to recover overpayments from employees or reimburse employees for any underpayments [106521.02].</p> | |
| CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS | | | |
| Prior Observation/Condition | Risk/Potential Effect | Recommendation | Corrective Action |
| <p><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.</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 review bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [106519.01].</p> | <p>Implemented.</p> |

City of Philadelphia
Register of Wills
Findings and Recommendations
Fiscal Year 2022

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> Honorable Tracey L. Gordon ¹ Register of Wills City Hall, Room 180 Philadelphia, PA 19107 | <u>Appropriations:</u> General Fund \$4,281,429 Grant Revenue Fund <u>200,000</u> Total Appropriations <u>\$4,481,429</u> | <u>Estimated Revenues:</u> Non-Tax Revenue <u>\$4,150,000</u> | <u>Number of Full Time Employees:</u> Exempt <u>67</u> |
|---|--|--|---|

| CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS | | | |
|---|--|---|-------------------|
| Prior Observation/Condition | Risk/Potential Effect | Recommendation | Corrective Action |
| <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]. | Implemented. |

¹ Honorable Tracey L. Gordon was the register of wills at the time that the fiscal year 2022 report was presented to the department. The current register of wills is Honorable John P. Sabatina.

| CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued) | | | |
|--|--|---|--------------------------|
| Prior Observation/Condition | Risk/Potential Effect | Recommendation | Corrective Action |
| <p><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.</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 perform the bank and fund reconciliations in accordance with standard accounting procedures of the city’s Finance Office [106815.01].</p> | <p>Implemented.</p> |

City of Philadelphia
 District Attorney's Office
 Findings and Recommendations
 Fiscal Year 2022

Functions

The District Attorney's Office (DA), headed by the district attorney who is an elected official, 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 \$40,431,659
 Grants Revenue Fund 20,631,440
 Total Appropriations \$61,063,099

Estimated Revenues:
 Non-Tax Revenue \$10,920,000
 From Other Governments 9,827,000
 Total Estimated Revenues \$20,747,000

Number of Full Time Employees:
 Civil Service - Uniformed 41
 Civil Service - Civilian 51
 Exempt 504
 Total Employees 596

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|---|--|--|
| <p>PERSONAL SERVICES</p> <p><u>Employee overtime was not always properly authorized.</u> For three out of five employees selected for testing, we found that overtime authorization forms were not properly prepared for seven out of 25 overtime dates tested. Specifically, we noted the following:</p> <ul style="list-style-type: none"> For four of these seven dates, one employee's overtime authorization forms were not approved by a supervisor. For three of those four dates, the employee signed off on the supervisory approval line. | <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 [106922.01].</p> | <p>The District Attorney's office has experienced transition within the area of Human Resources, which is the department that would support with mechanisms for tracking authorizations. The current HR team, effective October 2023, will collaborate with finance and supervisors of the overtime eligible units, to implement the recommendation, moving forward.</p> <p>Regarding, the three employees who</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|--|---|--|
| <p>(continued)</p> <ul style="list-style-type: none"> For the second employee, the department was unable to provide approved overtime authorization forms for two dates. Regarding the third employee, for one sampled date, while the overtime authorization form provided by the department indicated that the employee was approved to work one hour of overtime, the employee was paid for eight hours of overtime. <p>During fiscal year 2022, these three employees – a prosecution detective sergeant and two prosecution detectives – earned a combined total of \$75,746 in overtime, which represented 12 percent of the DA's total overtime expenditures for the year.</p> | | | <p>(continued)</p> <p>consumed 12 percent of total budget we can confirm that this overtime was authorized. Given the nature of the work carried out at the prosecutor's office, overtime is most often attributed to investigations, where working afterhours is necessary, and the work is typically reimbursed by the federal or state agency we are collaborating with.</p> |
| <p><u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The department was unable to provide formal approved leave requests for all 18 sample dates tested for five selected employees. The DA's human resources director informed us that the department did not require the use of formal approved leave request forms. Instead, any leave time used was posted to the employee's timecard in the city's OnePhilly payroll system, and the employee's supervisor approved the timecard.</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 [106922.02].</p> | <p>Leave requests are currently submitted to departmental supervisors via email and verbal communication, and subsequently authorized via the supervisors' approval of timecards. The implementation of a paper leave approval system has been deemed cumbersome administratively, however, we will continue to assess for any alternate options that might enhance tracking.</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|---|--|---|
| <p><u>Annual employee evaluations were not always performed.</u> For two of the three civil service employees tested, although we observed their evaluations for calendar year 2022, the department was unable to provide their evaluations for calendar year 2021.</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 [106922.03].</p> | <p>The department stated that corrective action was implemented.</p> |
| <p><u>For the sixth year, we are reporting that the city sick leave policy was not properly enforced.</u> During calendar year 2021, the DA did not properly enforce the city's sick leave policy for nine sampled civil service employees since the department failed to issue the fifth-day warning letters to these employees when they used five days of undocumented sick leave. Also, for five selected civil service employees, the DA was unable to provide the supporting medical certificates for 19 of 75 sick leave instances reported as certified in the city's online payroll system.</p> | <p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p> | <p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the City's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [106915.01].</p> | <p>The HR department will work with payroll staff to review all internal procedures related to tracking and communicating sick usage as necessary, to ensure that we are more adequately enforcing the City's sick leave policy moving forward.</p> |

City of Philadelphia
Office of the Sheriff
Findings and Recommendations
Fiscal Year 2022

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 – 5th Floor
Philadelphia, PA 19110

Appropriations:

General Fund \$26,795,874

Estimated Revenues:

Non-Tax Revenue \$8,485,000

Number of Full Time Employees:

| | |
|-----------------|------------|
| Civil Service | 310 |
| Exempt | <u>32</u> |
| Total Employees | <u>342</u> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|---|---|---|
| <p>PERSONAL SERVICES</p> <p><u>An ineligible employee received cash overtime.</u> Our review of overtime payments for the first three quarters of fiscal year 2022 found that one Sheriff’s Office employee, who was ineligible to receive cash compensation for overtime worked and instead should have earned compensatory time, erroneously received cash overtime. This employee’s overtime hours were incorrectly entered into the city’s OnePhilly payroll system using a cash overtime code rather than the correct code for compensatory time earned. Also, the employee had the wrong earning policy code assigned in OnePhilly, which erroneously listed the employee as being eligible to receive cash overtime.</p> | <p>Erroneous cash overtime payments occurred and were not detected. As a result, an ineligible employee incorrectly received cash overtime payments totaling \$5,626.</p> | <p>Require that employees assigned to approve the bi-weekly payroll and spot-check the appropriateness of payroll data entries, ensure that the correct overtime codes are used for employees ineligible to receive cash overtime. Also, human resources personnel should ensure that all employees ineligible to receive cash overtime are assigned the correct earning policy code in OnePhilly. For all identified overtime payments to ineligible employees, take action to recover the monies from the employees and ensure that the employees receive the correct compensatory time earnings [107022.01].</p> | <p>Recommendations will be implemented.</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|--|--|--|
| <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 two out of five employees selected for testing, the department could not provide approved overtime authorization forms for 10 of the 25 instances of overtime tested. During fiscal year 2022, these two employees – both deputy sheriff sergeants – earned a combined total of \$115,501, which represented 3 percent of the department’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 [107022.02].</p> | <p>Recommendations will be implemented.</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 separated employee remained on the city’s payroll and was paid for five days after his termination date.</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 erroneously overpaid \$1,162.</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. Require management to submit a Payroll Credit Advice for the overpayment [107022.03].</p> | <p>Recommendations will be implemented. PCA Forms are done for all ex-employees who were overpaid.</p> |
| <p><u>Payroll data entries were not always adequately checked.</u> For one out of five employees selected for testing, we noted that employee attendance records did not correspond to the online payroll records for nine of 20 dates tested for the employee. For eight of the nine dates, while the employee’s attendance records showed that the employee worked less than a full workday, the entries recorded on the online payroll records indicated a full day worked. In five of these eight instances, the employee’s attendance records indicated that vacation leave was being used, but the leave time was not posted to the online payroll records.</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 [107022.04].</p> | <p>Recommendations will be implemented.</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|---|---|---|
| <p><u>Payroll attendance records were not always properly authorized by supervisory personnel.</u> For one of five sampled employees, we found that six out of 20 attendance records tested for the employee showed no evidence of supervisory review. Later in fiscal year 2022, for this same employee, we found that paper attendance records were no longer maintained, and instead the employee's attendance records were now the bi-weekly timecards maintained in the city's online payroll system. For one bi-weekly timecard tested for this employee, we noted that it was approved by an administrative assistant rather than a higher-level supervisor from the department.</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 employee attendance records. Additionally, the department's payroll personnel should review employees' attendance records to ensure that the appropriate supervisory approvals were obtained [107022.05].</p> | <p>Recommendations will be implemented.</p> |
| <p><u>Unclaimed paycheck was not promptly returned to the City Treasurer's Office.</u> During our testing, we observed one unclaimed payroll check which had not been returned to the City Treasurer's Office. This check was dated February 28, 2020, over two years prior to our testing date.</p> | <p>The department may not be able to maintain effective security over unclaimed checks and could jeopardize the city's compliance with the state's unclaimed monies law.</p> | <p>Unclaimed paychecks should be returned to the City Treasurer within one week if the employee could not be located or immediately if the employee is deceased [107022.06].</p> | <p>Recommendations will be implemented.</p> |
| <p><u>For the fourth consecutive year, we have reported that the city sick leave policy was not properly enforced.</u> Out of five sampled civil service employees, the department did not properly enforce the city's sick leave policy for three employees, who each used over eight undocumented sick days during calendar year 2021. One of these three employees did not receive either the fifth-day warning notice or the eighth-day notification letter and thus was not placed on the Excessive Use of Sick Leave List. For the other two employees, the department was late in issuing the fifth-day and eighth-day notification letters to them so the two employees were placed on the sick abuse list in an untimely manner. Consequently, the three employees were not penalized according to the city's Sick Leave</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.</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 counseling and any subsequent sanctions set forth in the policy, be enforced by management [107019.02].</p> | <p>Recommendations will be implemented.</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|-----------------------|----------------|-----------------------|
| <p>(continued)</p> <p>Rules and Regulations, and two of the three employees continued to use and be paid for both certified and uncertified sick leave in violation of the policy. As a result, they were paid \$29,153 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 following 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, we noted that the department failed to issue a fifth-day warning notice to another employee who used five undocumented sick days in calendar year 2021. Lastly, for the five employees tested, the department was unable to provide the supporting medical certificates for 26 out of 260 sick leave instances reported as certified in the city's online payroll system.</p> | | | |

City of Philadelphia
 Department of Planning and Development*
 Findings and Recommendations
 Fiscal Year 2022

Functions

The Department of Planning and Development (DPD) 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 DPD 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 DPD also partners with the Philadelphia Housing Development Corporation, Philadelphia Land Bank and the Philadelphia Redevelopment Authority. The DPD is headed by its director, who is appointed by the mayor. In fiscal year 2022, there were the following significant variances in appropriations and estimated revenues: (1) an \$8.5 million increase in General Fund appropriations principally due to \$6.5 million in additional Land Bank support; (2) an \$153.3 million increase in Grants Revenue Fund appropriations along with a corresponding \$146.1 million increase in estimated revenues from other governments primarily due to pending American Rescue Plan Act of 2021 funding to help renters and landlords impacted by the COVID-19 pandemic; (3) a \$16.4 million increase in Housing Trust Fund (HTF) appropriations due to an increase of balances being carried forward from prior years’ HTF funds; and (4) a \$13.1 million decrease in estimated revenues from other funds due to a decrease in the General Fund’s contribution to the HTF.

| | | |
|---|--|--|
| <u>Name and address of department head</u> Eleanor Sharpe, Interim Director ¹ Department of Planning and Development 1515 Arch Street, 13 th Floor Philadelphia, PA 19102 | <u>Appropriations:</u> General Fund \$ 17,073,828 Grants Revenue Fund 215,363,872 Community Development Fund 85,226,559 Housing Trust Fund <u>78,194,000</u> Grand Total <u>\$395,858,259</u> | <u>Estimated Revenues:</u> Non-Tax Revenue \$ 6,037,000 From Other Governments 318,264,000 From Other Funds <u>6,860,000</u> Total Estimated Revenues <u>\$331,161,000</u> |
| | | <u>Number of Full Time Employees:</u> Civil Service 79 Exempt <u>26</u> Total Employees <u>105</u> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|--|---|--|
| <p>PERSONAL SERVICES</p> <p><u>Payroll data entries were not adequately checked.</u> For two employees tested, we noted that the on-line payroll time records did not agree with the supporting attendance documentation. In nine instances, both individuals – self-service employees who input their own time entries into the city’s OnePhilly</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 and supporting leave documentation. This process should be documented [107222.01].</p> | <p>A review of the two employees submitted indicates that they did substitute their sick leave for vacation. Leave slips were submitted by the employees and approved by their respective supervisors. The employees should have made the change to their records in the</p> |

¹ Eleanor Sharpe was the interim director at the time that the department provided its response to the fiscal year 2022 report. The current interim director is John Mondlak.

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|-----------------------|----------------|--|
| <p>(continued)</p> <p>payroll system – entered their leave usage as sick, but the approved leave requests for those dates instead listed vacation leave. The employees’ timecards were approved by supervisory personnel, who did not detect the discrepancies.</p> <p>With six of these nine instances recorded as uncertified sick leave,² the OnePhilly system showed these two employees as having used eight or more undocumented sick days in calendar year 2021, which should then have resulted in the employees being placed on the Excessive Use of Sick Leave List. However, the department’s deputy of human resources informed us that the two employees should not have been placed on the sick abuse list since the nine instances should have been recorded as vacation leave. As of the end of our audit fieldwork, we had not been provided with any documentation to evidence that adjustments were made in the OnePhilly system to change the nine leave instances from sick to vacation.</p> | | | <p>(continued)</p> <p>OnePhilly system. This resulted in the gap in reconciliation of the records. The One Philly employee self-service system decentralizes responsibility to the employee and supervisor with oversight and support by human resources staff. In this case, all parties failed to properly respond to the oversight. HR staff will contact Central Finance immediately to request the required changes to the employee records.</p> <p>Moving forward, the department intends to maximize the purpose of the One Philly Employee Self Service System by ensuring all stakeholders are properly trained and held accountable for our respective roles in the process. This will include implementing biweekly metrics to track employees submitting timecards by the deadline, supervisors approving timecards by the deadline, and the number of times payroll staff must correct errors to properly reconcile payroll records. DPD leadership is committed to the improvement and compliance of all staff to these procedures.</p> |

² These six recorded instances of uncertified sick leave were in addition to other uncertified sick leave taken by the two employees during calendar year 2021.

| 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> 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.</p> | <p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p> | <p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [107220.01].</p> | <p>Implemented.</p> |

City of Philadelphia
City Commissioners Office
Findings and Recommendations
Fiscal Year 2022

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, Chair¹
City Commissioners Office
City Hall, Room 130
Philadelphia, PA 19107

Appropriations:

| | |
|----------------------|---------------------|
| General Fund | \$18,046,852 |
| Grants Revenue Fund | <u>2,765,000</u> |
| Total Appropriations | <u>\$20,811,852</u> |

Estimated Revenues:

| | |
|--------------------------|--------------------|
| Non-Tax Revenue | \$ 10,000 |
| From Other Governments | <u>2,765,000</u> |
| Total Estimated Revenues | <u>\$2,775,000</u> |

Number of Full Time Employees:

| | |
|-----------------|------------|
| Civil Service | 113 |
| Exempt | <u>17</u> |
| Total Employees | <u>130</u> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|--|---|---|
| <p>PETTY CASH</p> <p><u>Duties for reviewing the petty cash fund reconciliations were not adequately segregated.</u> During our review of the City Commissioners' petty cash account, we noted that the fund's custodian reviewed all nine of the fund reconciliations tested.</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 review bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [107322.01].</p> | <p>Change implemented early in FY23.</p> |
| <p><u>Monthly bank reconciliations lacked evidence of approval.</u> During our review of the City Commissioners' petty cash bank reconciliations, we noted that all nine bank reconciliations tested did not provide any indication that they were reviewed by a responsible official. Each reconciliation was prepared on an outdated version of the city's standard bank reconciliation form and did not include the required evidence of review.</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 [107322.02].</p> | <p>The Department will require use of the updated version of the Bank Reconciliation Form and ensure that moving forward, all bank reconciliation reviews are evidenced by signature.</p> |

¹ Honorable Lisa Deeley was the chair at the time that the department provided its response to the fiscal year 2022 report. The current chair is Honorable Omar Sabir.

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|--|--|---|
| <p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> During our review of the office's petty cash records, we noted that eight of the nine bank and fund reconciliations tested 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 [107322.03].</p> | <p>Implemented- Moving forward, all Bank and Fund reconciliations will be prepared and signed off on in a timely manner this FY.</p> |
| <p><u>A long outstanding petty cash check was still not deposited into the city's Unclaimed Monies Fund.</u> A check outstanding since July 2019, 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>Matter was resolved in September 2022.</p> |
| <p><u>The office's petty cash fund has still not been properly reconciled.</u> During our review of the City Commissioners' petty cash records, we noted that the following items were erroneously recorded in the office's fund and bank reconciliations:</p> <ul style="list-style-type: none"> • The end-of-the-month cash balance on the fund reconciliation did not agree to the reconciled cash balance on the bank reconciliation. • Of the \$3,822 listed as bills to be vouchered in the fund reconciliation, the office could not provide documentation supporting \$2,392 in expenditures that were listed as over a year old. | <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 fund reconciliation increases the risk that missing funds will remain unrecovered or that overages will be misappropriated.</p> | <p>All disbursements made from the petty cash account should be supported by appropriate documentation, and timely submitted for reimbursement in accordance with the relevant city standard accounting procedures [107318.04]. The petty cash custodian should also be trained in the proper procedures for performing a fund reconciliation [107318.05]. Finally, 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].</p> | <p>-Our Office worked with Finance and resolved the Cash reconciliation issue.</p> <p>We will ensure that the custodian is trained and performs fund reconciliations in accordance with the relevant city standard accounting procedures. We are also working to ensure that all bills to be vouchered have adequate supporting documentation.</p> <p>-The \$111 overage mentioned has been resolved for almost a year (since Sept. 22).</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|--|---|--|
| <p>(continued)</p> <ul style="list-style-type: none"> The office could not provide documentation supporting the \$2,189 shown as the end-of-the-month book balance on the February bank reconciliation. <p>Additionally, since July 2020, the office has reported an overage on the fund reconciliation. Management attributes the current \$111 overage to a bank error and the reimbursement of an uncashed check.</p> | | | |
| <p>PERSONAL PROPERTY</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 records, we noted 11 items, valued at \$11,782, which have been reported by the City Commissioners Office 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 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 [107322.04].</p> | <p>Management is working on locating or removing items from the list that were flagged as “cannot locate” items.</p> |
| <p>PERSONAL SERVICES</p> <p><u>City sick leave policy was still not properly enforced.</u> The City Commissioners Office did not properly enforce the sick leave abuse policy for two of the five civil service employees tested. The office appropriately placed those employees on the Excessive Use of Sick Leave List and properly applied the policy for subsequent use of additional certified and uncertified sick leave. However, the letters placing the employees on the List were not issued timely. Additionally, the office should have counseled these employees and imposed the following penalties: a written warning after the first additional uncertified occurrence, a one-day suspension after the second occurrence, a three-day suspension after the</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.</p> | <p>We recommend that management adopt and enforce the city’s sick leave policy, including employee counseling and any subsequent sanctions set forth in the city’s policy [107320.01].</p> | <p>One of the two employees mentioned in your finding left the city right after taking sick leave and thus did not submit medical certificates for those days leading up to departure, and also wasn’t placed on progressive discipline because the employee was no longer employed with the City. The other employee was placed on progressive discipline, but this was delayed due to the manual nature of our sick abuse tracking and notification process. The OnePhilly sick abuse notification functionality</p> |

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|--|-----------------------|----------------|---|
| <p>(continued)</p> <p>third occurrence, a ten-day suspension after the fourth occurrence, and dismissal after the fifth occurrence.</p> <p>We also noted that the office was unable to provide medical certificates supporting sick leave for these employees, as follows:</p> <ul style="list-style-type: none"> • For the first employee, the office did not provide the supporting medical certificate for 12 consecutive sick days taken by the employee. • For the other employee, the office did not provide the supporting medical certificates for three consecutive sick days taken by the employee on two separate occasions. | | | <p>(continued)</p> <p>and sick abuse reports are now being utilized to ensure sick abuse tracking, notifications and progressive disciplinary action are completed in a timely manner. We place employees on sick abuse as of the date of their last infraction and issue progressive disciplines quickly. In 2021 we had to track uncertified sick time manually. As a result, progressive disciplines were slow to issue. Now OnePhilly is much more efficient. We can track in a timely manner and issue disciplines quickly.</p> |

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS

| Prior Observation/Condition | Risk/Potential Effect | Recommendation | Corrective Action |
|---|---|---|---------------------|
| <p><u>An unauthorized individual was responsible for the physical custody and operation of the office's petty cash fund.</u> The employee acting as the custodian for the office'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>Implemented.</p> |

City of Philadelphia
 First Judicial District of Pennsylvania
 Findings and Recommendations
 Fiscal Year 2022

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 Judge¹
 First Judicial District of Pennsylvania
 City Hall, Room 386
 Philadelphia, PA 19107

Appropriations:
 General Fund \$116,199,029
 Grants Revenue Fund 52,952,497
 Total Appropriations \$169,151,526

Estimated Revenues:
 Non-Tax Revenue \$40,150,000
 From Other Governments 58,592,000
 Total Estimated Revenues \$98,742,000

Number of Full Time Employees:
 Exempt 2,094

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|--|--|--|
| <p>PERSONAL SERVICES</p> <p><u>The FJD’s sick leave policy was not properly enforced.</u> For two of the five sampled employees, we noted that the FJD did not properly enforce its sick leave policy.² The FJD’s sick leave policy states that an employee will be placed on the Excessive Use of Sick Leave List when the employee develops a pattern of taking sick leave, which includes using five or more undocumented sick days in a rolling six-month period.³ Once an employee is</p> | <p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by FJD employees. Failure to enforce the policy may lead to some employees abusing sick time.</p> | <p>FJD management should remind unit supervisors of the importance of enforcing the FJD’s sick leave policy. Human resources personnel should track sick leave usage, identify when employees meet the criteria for placement on the Excessive Use of Sick Leave List, and follow up with the unit supervisors to ensure that the sick leave policy is being enforced [108422.01].</p> | <p>The FJD HR Office will hold a refresher training session with all FJD timekeepers to reiterate the importance of enforcing the FJD Sick Leave policy. Timekeepers are responsible for notifying the supervisor when an employee should be placed on the Excessive Use of Sick Leave list. This topic is also reviewed in Supervisory training held twice a year. In addition,</p> |

¹ Honorable Idee Fox was the president judge at the time that the department provided its response to the fiscal year 2022 report. The current president judge is Honorable Nina Wright Padilla.

² The city’s Sick Leave Rules and Regulations do not apply to FJD employees. The FJD has its own sick leave policy.

³ Other examples of a pattern of taking sick leave per the FJD’s sick leave policy include, but are not limited to, taking sick leave on Mondays or Fridays, or on the days before or after a legal holiday or the employee’s personal vacation or administrative leave; and using sick leave after being denied other leave.

| Observation/Condition | Risk/Potential Effect | Recommendation | Department's Response |
|---|-----------------------|----------------|---|
| <p>(continued)</p> <p>placed on the Excessive Use of Sick Leave List, the employee must submit a medical certificate for any sick leave used for non-Family and Medical Leave Act (FMLA) purposes. The two sampled employees each used more than five undocumented sick days in a six-month period, but neither employee was placed on the Excessive Use of Sick Leave List. Consequently, the two employees continued to use and be paid for undocumented sick leave in violation of the policy. Our inquiry of FJD human resources personnel disclosed that FJD unit supervisors handle the placement of employees on the Excessive Use of Sick Leave List. In the case of the two sampled employees, the unit supervisors elected not to place the employees on the list.</p> | | | <p>(continued)</p> <p>HR will run monthly reports for sick leave usage and contact the timekeepers of each department with any violations.</p> |

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS

| Prior Observation/Condition | Risk/Potential Effect | Recommendation | Corrective Action |
|--|---|--|---------------------|
| <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>Implemented.</p> |

