

Report On Internal Control and On Compliance and Other Matters City of Philadelphia Fiscal Year 2022



City of Philadelphia, Pennsylvania
Office of the Controller
Charles Edacheril
Acting City Controller



CITY OF PHILADELPHIA

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CHARLES EDACHERIL
Acting City Controller

June 29, 2023

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

Dear Mayor Kenney,

In accordance with the Philadelphia Home Rule Charter, the Office of the Controller conducted an audit of the basic financial statements of the City of Philadelphia, Pennsylvania (city) as of and for the fiscal year ended June 30, 2022, and has issued its Independent Auditor's Report dated February 25, 2023.

In planning and performing our audit, we considered the city's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the city's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the city's internal control over financial reporting.

Attached is our report on Internal Control over Financial Reporting and on Compliance and Other Matters dated February 25th, 2023. The findings and recommendations contained in the report were discussed with management. We have included management's written response to the findings and recommendations and our comments on that response as part of the report. We believe that, if implemented by management, the recommendations will improve the city's internal control over financial reporting.

We would like to express our thanks to the management and staff of the city for their courtesy and cooperation in the conduct of our audit.

Respectfully submitted,

Charles Edacheril

Charles Edacheril, CPA
Acting City Controller

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



CITY OF PHILADELPHIA FISCAL YEAR 2022 REPORT ON INTERNAL CONTROL AND ON COMPLIANCE AND OTHER MATTERS

EXECUTIVE SUMMARY

Why the Controller's Office Conducted the Audit

In accordance with the Philadelphia Home Rule Charter, the Office of the City Controller (Controller's Office) audited the City of Philadelphia's (city's) basic financial statements as of and for the fiscal year ended June 30, 2022, for the purpose of opining on its fair presentation. As part of this audit, we reviewed the city's internal control over financial reporting to help us plan and perform the examination. We also examined compliance with certain provisions of laws, regulations, contracts, and grant agreements to identify any noncompliance that could have a direct and material effect on financial statement amounts.

What the Controller's Office Found

The Controller's Office found that the city's financial statements were presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and issued a separate report that accompanies the city's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022. The audit procedures used to arrive at our conclusion regarding these financial statements led us to identify matters involving the city's internal control over financial reporting that require management's attention. Some of the more important matters include:

- Inadequate oversight and review procedures over the city's financial reporting process, along with ongoing staffing shortages and the lack of a comprehensive financial reporting system, continued and led to (1) the Finance Office failing to detect errors totaling \$1.1 billion during preparation of the city's ACFR and (2) the untimely preparation of the Schedule of Expenditures of Federal Awards (SEFA) which resulted in the late submission of the single audit reporting package to the Federal Audit Clearinghouse.
- Various weaknesses in information technology (IT) access controls and segregation of duties (SoD) were noted for certain key financial-related applications, including:
 - With regard to periodic user access reviews (UARs), (1) an UAR had not yet been performed for the recently implemented Philadelphia Revenue Information System Management (PRISM) application; (2) the review of the OnePhilly UARs for sampled departments noted the results were missing details such as an assessment of user permissions and SoD as well as management signoff; and (3) there was no evidence that UARs had been performed for certain other applications.
 - Duties were not adequately segregated in multiple instances. For example, there were several non-IT personnel with either system administrator access or both system and domain administrator access.
- The Treasurer's Office bank reconciliation procedures still required improvement. Treasurer personnel were still not timely in their investigation and resolution of reconciling items, with 36 out of 65 bank accounts having long outstanding reconciling items. As of June 30, 2022, there were 829 bank reconciling items over 90 days old with a net total dollar amount of \$34.1 million and 1,279 book reconciling items over 90 days old with a net total dollar amount of \$56.3 million. Additionally, our testing again noted noncompliance with the Pennsylvania escheat act with \$12.7 million in outstanding vendor and payroll checks not yet escheated to the state.

What the Controller's Office Recommends

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

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

CITY OF PHILADELPHIA

FISCAL 2022



CITY OF PHILADELPHIA

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CHARLES EDACHERIL
Acting City Controller

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Philadelphia, Pennsylvania's basic financial statements, and have issued our report thereon dated February 25, 2023. Our report on the basic financial statements includes an emphasis-of-matter paragraph describing a change in accounting principle, discussed in Notes I.15. and III.14.A. to the basic financial statements. Our report also includes a reference to other auditors who audited the financial statements of the following entities, as described in our report on the City of Philadelphia, Pennsylvania's financial statements.

Primary Government

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

Component Units

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

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

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

Report on Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the combination of deficiencies described in the accompanying report as item 2022-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying report as items 2022-002 to 2022-009 to be significant deficiencies.

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Report on Compliance and Other Matters

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

Other Conditions

We noted certain other conditions that represent deficiencies in internal control described in the accompanying report as items 2022-010 to 2022-016. Also, during our fiscal year 2022 examination of the financial affairs of city departments, we identified other internal control and compliance deficiencies which will be communicated to management in a separate report.

City of Philadelphia, Pennsylvania's Response to Findings

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

Purpose of this Report

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



CHARLES EDACHERIL, CPA
Acting City Controller
Philadelphia, Pennsylvania
February 25, 2023

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MATERIAL WEAKNESS

2022-001 INADEQUATE STAFFING LEVELS, LACK OF TECHNOLOGICAL INVESTMENT, AND INSUFFICIENT OVERSIGHT LED TO UNDETECTED MATERIAL MISSTATEMENTS AND UNTIMELY PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Philadelphia’s Home Rule Charter places responsibility for the City of Philadelphia’s (city’s) accounting and financial reporting functions with the Office of the Director of Finance (Finance Office). In that capacity, the Finance Office prepares the city’s Annual Comprehensive Financial Report (ACFR) and the Schedule of Expenditures of Federal Awards (SEFA). To complete these tasks, Finance Office accountants collect, analyze, and summarize enormous amounts of financial and grant-related data, as well as other information obtained from the city’s accounting system (FAMIS¹), numerous city agencies, and assorted quasi-government units, such as the Philadelphia Gas Works and the Philadelphia Redevelopment Authority.² Our current audit again disclosed a number of conditions, which collectively we consider to be a material weakness, that impede the ability of Finance Office accountants to prepare a timely, accurate, and completed ACFR and SEFA without significant adjustments recommended by the City Controller’s audit staff. More specifically, we observed that:

- Staff reductions in the Finance Office, as well as a lack of a comprehensive financial reporting system, have compromised the timely and accurate preparation of the ACFR;
- Late submission of Aviation Fund financial statements continued to delay preparation and audit of the ACFR;
- Late receipt of financial reports for component units and the Fairmount Park Trust Funds still delayed preparation and audit of the ACFR; and
- Untimely preparation of the SEFA resulted in the late submission of the single audit reporting package to the Federal Audit Clearinghouse.

Each of these conditions is discussed in more detail below.

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

Condition: The Finance Office failed to detect errors totaling \$1.1 billion during preparation of the city’s fiscal year 2022 ACFR submitted for audit and did not provide certain financial statement information and finalized footnotes until very late in the audit process. Examples of undetected errors included:

¹Financial Accounting and Management Information System

²These quasi-government units are considered component units for purposes of the city’s ACFR.

- Various accounts in the Grants Revenue Fund – due from other governmental units, unearned revenue, deferred inflows of resources, and revenue from other governments – were misstated by a total of \$1.0 billion due to errors made in computing grants receivable and advance balances for the Department of Behavioral Health and Intellectual disAbility Services (DBHIDS) on the fund schedule prepared by the Finance Office’s Grants Accounting and Administrative Unit (GAAU).
- Grants Revenue Fund expenditures were understated by \$27.9 million because Finance Office accountants did not correct ACFR reported amounts to reflect expenditure adjustments reported by various departments on their FAMIS expenditure reconciliations.
- Inventory for Governmental Activities was overstated by \$17.7 million due to an error that the Department of Streets made in its inventory calculation.

Finance Office accountants did not provide financial statements and footnotes reflecting the new lease accounting and reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, until very late in the audit. Financial statements for the General Fund and Governmental Activities were not updated to include the GASB Statement No. 87 adjustments until February 8, 2023. Even later were the updated Aviation and Water Funds’ financial statements, which were not revised to include the GASB Statement No. 87 activity until February 16, 2023, just over one week before we issued the opinion. We also did not receive a substantially completed set of ACFR footnotes reflecting the new lease disclosure requirements until February 16, 2023.

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

Effect: Because Finance Office accountants corrected the most significant errors we identified, the city’s publicly issued fiscal year 2022 ACFR can be relied upon for informative decision making.

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

- The Finance Office has continued to operate with a reduced staff size. Since fiscal year 2000, the number of Finance Office accountants has declined by 25 percent (from 64 full-time employees in fiscal year 2000 to 48 in fiscal year 2022). Inadequate staff size has resulted in significant and complex parts of the ACFR, such as the preparation of the full accrual government-wide financial statements, being performed by Finance Office accounting management. These factors have made the task of completing the ACFR more difficult and compromised the ability of Finance Office management to perform adequate reviews of the financial statements and related financial disclosures.

- Accountants in the Finance Office lacked a comprehensive financial reporting system to prepare the ACFR. Instead, accountants produce the ACFR using numerous Excel and Word files with various links between the files. Using multiple linked files creates a cumbersome process that can adversely affect the accuracy and completeness of the ACFR.

During the current audit, we observed that the Finance Office continued to work with the accounting firm they have worked with in prior years to help with the preparation and review of the ACFR. The initial plan (as it had also been since fiscal year 2017) was for the accounting firm to assist with the preparation of a compilation package with detailed documentation supporting the financial statements. No progress has been made on the compilation since fiscal year 2021, and the Finance Office was again unable to fully implement that plan for the fiscal year 2022 ACFR. Previously, we reported the accounting firm assisted the Finance Office with the preparation of a review checklist which provided accountants with detailed instructions for verifying the accuracy and completeness of the fund financial statements. However, we continued to note the checklist has not been updated to include guidelines for review of the full accrual government-wide financial statements. While the prior audit noted that a draft of those guidelines had been created, Finance Office accounting management informed us that they had not updated and finalized the draft for fiscal year 2022. Also, the accounting firm assisted with the implementation of the new GASB requirements for lease accounting and Internal Revenue Code Section 457 deferred compensation plans.

Despite the accounting firm's assistance, Finance Office accountants were very late in implementing the new GASB Statement No. 87 lease requirements. Although this pronouncement was issued in June 2017 and its required implementation had been delayed from fiscal year 2021 to fiscal year 2022 because of the COVID-19 pandemic, the lease management software used for the implementation was not purchased until September 2022, more than two months after the fiscal year-end. A complete set of the lease accounting entries and footnote disclosures generated by the software was not provided until February 2, 2023.³

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

In the meantime, we recommend that, for the fiscal year 2023 ACFR, management follow through with its plan to use the accounting firm to assist with the preparation of the compilation package with detailed

³ The software generated separate accounting entries and footnote disclosures for each of the city's lease agreements which were then combined by Finance Office accountants into the consolidated lease footnote disclosures included in the city's ACFR.

documentation supporting the ACFR [500118.01]. Additionally, Finance Office accountants should utilize the accounting firm to assist with finalizing the review checklist for the full accrual government-wide financial statements [500119.01]. While we support the Finance Office's hiring of the accounting firm as a short-term remedy to improve the ACFR preparation and review process, we believe the appropriate long-term solution is to either hire more accountants or invest in a comprehensive financial reporting system, as recommended above.

Late Submission of Aviation Fund Financial Statements Continued to Delay Preparation and Audit of ACFR

Condition: We have previously reported that the late submission of the Aviation Fund financial statements and supporting compilation contributed to the city's inability to timely prepare the preliminary ACFR. For fiscal year 2022, there was improvement in this condition, as the Division of Aviation (DOA) started providing sections of the compilation on November 23, 2022, and then supplied the initial Aviation Fund statements and more than half of the compilation by December 5, 2022, 15 days earlier than the previous year. Despite this progress, significant sections of the compilation were not provided until January 13, 2023. Also, the DOA did not submit updated versions of the Aviation Fund financial statements and compilation that included adjustments for the implementation of the GASB Statement No. 87 lease requirements until February 7, 2023. This late submission contributed to the final adjusted Aviation Fund amounts not being included in the city's ACFR until February 16, 2023, only nine days before we issued the opinion.

Criteria: It is essential that the Finance Office and the DOA work together to ensure the timely completion of the Aviation Fund financial statements and compilation, so there is adequate time to review and incorporate those statements into the ACFR.

Effect: The inability to timely submit the Aviation Fund financial statements delays the completion of required financial reporting and auditing processes for the city's ACFR. It also increases the risk for errors, as Finance Office accountants have less time to adequately review the statements.

Cause: In preparing the city's ACFR, Finance Office accountants must collect, analyze, and summarize financial information from numerous sources, including the DOA. Additionally, the DOA must wait for information from the Finance Office before it can finalize its financial statements and the supporting compilation. The Finance Office and the DOA have not established mutually agreed upon target dates for key information that would allow for the timely completion of the Aviation Fund financial statements and therefore, earlier inclusion in the preliminary ACFR. Lastly, a significant contributing factor to the delay in completing the Aviation Fund financial statements was the Finance Office's very late implementation of GASB Statement No. 87.

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

Late Receipt of Financial Reports for Component Units and Fairmount Park Trust Funds Still Delayed Preparation and Audit of ACFR

Condition: Over the last several years, we have reported that the late receipt of component unit financial reports continued to delay preparation and audit of the city’s ACFR. For the fiscal year ended June 30, 2022, four of the city’s 10 component units and the Fairmount Park Trust Funds (FPTF)⁴ did not submit their final reports by the due dates requested by Finance Office accountants. See Table 1 below.

Table 1: Late Submission of Financial Reports			
<u>COMPONENT UNITS</u>	<u>DUE DATE</u>	<u>DATE RECEIVED</u>	<u>DAYS LATE</u>
Philadelphia Parking Authority	11/30/2022	12/19/2022	19
School District of Philadelphia	1/15/2023	2/14/2023	30
Philadelphia Redevelopment Authority	12/31/2022	2/10/2023	41
Philadelphia Municipal Authority	12/31/2022	2/14/2023	45
<u>GOVERNMENTAL FUNDS</u>			
Fairmount Park Trust Funds	12/31/2022	2/21/2023	52

Note: Community Behavioral Health, Community College of Philadelphia, Pennsylvania Intergovernmental Cooperation Authority, Philadelphia Gas Works, Philadelphia Housing Authority, and the Philadelphia Authority for Industrial Development submitted their financial reports timely.

Source: Prepared by the Office of the City Controller.

The submission of required financial reports very late in the audit process represents the greatest challenge to the timely completion of the ACFR, leaving Finance Office accountants and Controller’s Office auditors little time to ensure that the financial reports are accurately included in, or excluded from, the city’s ACFR. Component units submitting very late reports included the Philadelphia Redevelopment Authority (on February 10, 2023), the School District of Philadelphia (on February 14, 2023), and the Philadelphia Municipal Authority (on February 14, 2023). Similarly, the financial report for the FPTF, which are independently audited governmental funds, was not received by the Finance Office until February 21, 2023.

Additionally, the June 30, 2022, audited financial reports for the Delaware River Waterfront Corporation (DRWC) and the Philadelphia Housing Development Corporation (PHDC), both assessed as excluded component units⁵, were not received by the city’s Finance Office until February 24, 2023, one day before we issued our opinion on the city’s ACFR. Without a final and timely audit report, Finance Office accountants

⁴ The FPTF are reported as the Parks and Recreation Departmental and Permanent Funds, two non-major governmental funds. The commissioner of the city’s Department of Parks and Recreation is the trustee responsible for administering the FPTF.

⁵ Per the city’s interpretation of GASB 14, paragraph 131, which is consistent with prior years, an organization that may otherwise qualify as a component unit (i.e. the city is financially accountable to the organization because it can impose its will or has a financial benefit or burden relationship with the organization) can be excluded from reporting requirements if the nature and significance of the organization’s relationship with the city is such that exclusion would NOT cause the city’s financial statements to be misleading or incomplete.

could only use updated, but unaudited, versions of DRWC's and PHDC's financial statements to support their initial materiality evaluation that excluded DRWC and PHDC from being reported as discretely presented component units.

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

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

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

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

Untimely Preparation of the SEFA Resulted in the Late Submission of the Single Audit Reporting Package to the Federal Audit Clearinghouse

Condition: Because the city expends more than \$750,000 of federal awards, Office of Management and Budget's (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires a single audit of grant activities to be performed each year. The Finance Office's GAAU is responsible for preparing the SEFA, which serves as the primary basis that the auditors use to determine which programs will be tested. For the fiscal year ending June 30, 2022, a preliminary SEFA was not prepared and provided for audit until March 8, 2023, which was only 23 days prior to the required deadline of March 31st to submit the reporting package.

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

Standard Accounting Procedure (SAP) No. G 3-1, *Expenditure Reconciliation*, instructs departments to complete the "FAMIS Expenditure Reconciliation" form for each billing event, and for GAAU to receive copies of those forms along with copies of the billings to grantor agencies, from departments.

Effect: Non-compliance with the reporting requirements is a violation of federal grants terms and conditions. The city's continued failure to meet this filing requirement could affect future federal funding.

Cause: GAAU uses the FAMIS expenditure reconciliations prepared by various city departments, to verify the accuracy of the SEFA and make necessary adjustments. Similar to the prior year's timeline, GAAU sent out the fiscal year 2022 requests for these reconciliations in November 2022, whereas the fiscal year 2020 requests went out in the September following fiscal year-end. Multiple follow-ups as well as untimely and inaccurate responses from the departments further delayed the preparation and submission of an accurate SEFA for audit. Additionally, the SAP does not provide enforcement measures to ensure compliance with the procedures.

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

SIGNIFICANT DEFICIENCIES

2022-002 OIT'S ACCESS CONTROLS AND SEGREGATION OF DUTIES FOR KEY FINANCIAL SYSTEMS REQUIRE STRENGTHENING

Condition: We conducted, with the assistance of a consultant, a review of the OIT's general information technology (IT) controls over key financial-related applications.⁶ This review noted the following weaknesses in OIT's access controls and segregation of duties (SoD) for key financial-related applications which collectively are considered to be a significant deficiency:⁷

- As noted in the prior year report, OIT was still unable to provide documented evidence that user access reviews (UARs) were performed for certain key financial-related applications. Specifically, the documentation provided by OIT consisted only of the active or terminated user listings from the applications, which showed no evidence of the review being performed. Furthermore, no documentation was presented to evidence that management reviewed and approved users' access privileges and assigned roles, including consideration of SoD conflicts.
- OIT did not always maintain documentation for the authorization of new user access. For some sampled new users, OIT was unable to provide the new user access forms. Also, some of the new user access forms were missing pertinent approval information, including management's signature, the manager's name, the date of approval, the supervisor's name, and the reason for the request.
- As disclosed in the prior year report, OIT had still not completed the draft policy to formally document the process for the notification of employee terminations to OIT's Support Center and IT Administrators. Furthermore, OIT could not provide all sampled termination forms.
- Certain non-IT employees had system administrator access to a key financial-related application, creating an SoD risk. Management was unable to provide any supporting documentation or an exemption waiver as justification for this system administrator access. Management stated that they are working with the OIT compliance officer to formally document an exemption waiver for risk acceptance for this access.
- As noted in the prior year report, OIT still did not properly segregate the duties of two employees who continued to have database administrator access as well as system administrator access within a key financial-related application. According to the related department's IT Director, the department's IT group receives database administrator support from the central OIT database administrator group, and they have not further segregated duties since this audit finding. The department's IT Director stated that OIT management needs to determine further SoD between the database administrators and system administrators, but he could not provide any details or a timeline for remediation.

⁶ The key financial-related applications included in the review were the Financial Accounting Management Information System (FAMIS), Advanced Purchasing Inventory Control System (ADPICS), Basis2 (water billing system), PHLContracts (request for contract procurement system), and Automated Contract Information System (ACIS).

⁷ Due to computer security concerns, certain details for this finding have been excluded from this report, which is publicly available. We issued a separate report which contained the detailed finding and was only distributed to city management. Also, the consultant's review noted other observations with lesser impact which are reported as other conditions under finding numbers 2022-013 and 2022-016 in this report.

Criteria: OIT’s Access Control Policy (updated April 29, 2021) Section 3 states that information owners are responsible for performing “a documented review of standard user access and execution rights, at least annually.” All requests for user access to systems, including transferred users, should be performed in a formal manner, documented, and supported by management approval and authorization. Also, the Access Control Policy Section 3.1 requires that “OIT and city departments create, enable, modify, disable, and remove information system accounts in accordance with documented agency account management procedures.” Lastly, the Access Control Policy Section 3.5 requires that “the department shall restrict privileged accounts on the information system to a limited number of authorized individuals with a need to perform administrative duties” to provide the ability for SoD.

Effect: There is a risk that over time access rights will not be updated due to oversights or aligned with expected access right entitlements. Unauthorized users may gain or retain inappropriate access to system resources and could perform manipulation of system data. There may be users with access not commensurate with their job roles and responsibilities. In addition, users may have incompatible access roles, responsibilities, and permissions within the system thereby potentially allowing a user to bypass system controls and make improper data changes without detection.

Cause: A formalized process by OIT to perform UARs had not been established. Also, OIT management had not prioritized the completion of the draft policy for the notification of employee terminations to OIT’s Support Center and IT Administrators. Additionally, OIT management did not provide adequate oversight of the documentation of access rights and revocation of access to ensure all access documentation had been adequately prepared and included with management approval.

For the non-IT personnel, initial elevated access may have been required for these individuals since they are members of the application’s management team and provide administrative support to the application. In the two cases of inappropriate database and system administrator access discussed above, OIT management did not exercise sufficient oversight of assigned system access rights to ensure that duties were adequately segregated or, if SoD was not feasible, that there was monitoring of the employees’ activities.

Recommendations: To improve logical access controls over financially significant systems and data, we recommend that OIT management:

- Establish and document a formal process to perform UARs, which include a review of user access permissions that consider SoD conflicts. In addition, OIT should work with the process owners of each financial application to complete the reviews of all system users and their associated access rights for appropriateness [300416.05].
- Validate and ensure current processing procedures for user access provisioning and deprovisioning are appropriate. Established procedures should include formal documentation requirements for authorization of new user access and terminations, including retention of onboarding and offboarding tickets so they are available for later review and audit [300422.01].

- Work with the Office of Human Resources and/or the OnePhilly team to establish a formally documented process for the notification of employee terminations to OIT's Support Center and IT Administrators. Established procedures should include formal documentation requirements for notifications, including retention of those notifications so they are available for later review and audit [300416.07].
- For the non-IT employees with system administrator access to a key financial-related application, revoke this access and restrict system administrator access to IT personnel only. If this solution is not feasible, OIT should prepare an exemption waiver as justification for the system administrator access and perform monitoring and review of activity to ensure only authorized transactions are performed [300422.02].
- Separate the system administrator function from the database administrator function for the two OIT employees who have database administrator and system administrator access within the key financial-related application. If that solution is not feasible, OIT should prepare an exemption waiver as justification for the access and monitor the activities of the employees to ensure they are authorized and appropriate [300419.04].

2022-003 PRISM'S INITIAL USER ACCESS APPROVALS WERE NOT DOCUMENTED, AND PERIODIC USER ACCESS REVIEW WAS NOT PERFORMED

Condition: We engaged an independent accounting firm to conduct an assessment of the IT application and general controls of the city's new tax system – the Philadelphia Revenue Information System Management (PRISM) application – which was initially implemented in November 2021 with its second go-live occurring in October 2022. This assessment found the following deficiencies in the PRISM application's access controls:⁸

- The PRISM team was unable to provide new user tickets as evidence for the initial onboarding of 25 sampled users.
- As of January 2023, the PRISM team had not performed a current UAR of the PRISM system users.

Criteria: All requests for user access to systems should be performed in a formal manner, documented, and supported by management approval and authorization. OIT's Access Control Policy (updated April 29, 2021) Section 3 states that information owners are responsible for performing a “documented review of standard user access and execution rights, at least annually.”

Effect: Unauthorized users may gain inappropriate access to system resources and could perform manipulation of system data. There is a risk that unintended access rights will be prevalent without periodic review.

Cause: Management stated that they used a different approach for the initial addition of users to PRISM rather than creating new user tickets. Instead, the PRISM team downloaded user records from the prior Taxpayer

⁸ While this condition was considered a significant deficiency, the assessment of PRISM IT controls noted another finding with lesser impact that was reported as an other condition under finding number 2022-014 in this report.

Inquiry and Payment System (TIPS), met with applicable supervisors to determine these users' roles, and then converted that information into PRISM security roles for those users. With the system implementation being done in two phases and a different approach being utilized for onboarding of users during implementation, the PRISM team had not yet performed and formally documented a UAR.

Recommendations: To improve logical access controls over the PRISM system, we recommend that PRISM management:

- Formally document new user access requests and approvals of those requests through the use of new user tickets [300422.03].
- Complete the UAR of all PRISM users and their assigned roles and system privileges, including management sign-off [300422.04].

2022-004 ONEPHILLY SYSTEM'S ACCESS CONTROLS AND SEGREGATION OF DUTIES NEED IMPROVEMENT

Condition: We conducted, with the assistance of a consultant, an assessment of the OnePhilly system's IT general controls.⁹ This assessment noted the following weaknesses in the OnePhilly system's access controls and SoD:¹⁰

- Prior audits noted deficiencies in the OnePhilly UAR. The current year's evaluation of the OnePhilly UAR for sampled departments found that the results were missing the following pertinent control information: the details pertaining to the scope of the review; an assessment of specific user roles and security permissions to identify and remove SoD breakdowns; any exceptions identified; and management signoff. OnePhilly management stated that the scope of the UAR included approximately 54 city departments, but current management procedures did not require receipt of UAR confirmation responses from all in-scope departments.
- Duties were not adequately segregated in several instances, with domain administrator and system administrator access maintained by nine non-IT personnel and at least two IT developers who were city contractors. Domain administrator access in the OnePhilly system allows users to grant, remove, or modify Oracle user responsibilities. These users can create and deactivate Oracle user accounts, change passwords, and assign responsibilities. System administrator access allows users to perform system administrative activities.
- The OnePhilly SoD Policy and supporting role-based SoD matrix were not reviewed and approved on an annual basis. The SoD Policy was initially created and last reviewed on June 29, 2021.

⁹ The OnePhilly system handles the human resources, benefits, time and attendance, and payroll functions for the city.

¹⁰ While this condition was considered a significant deficiency, the assessment of OnePhilly IT general controls noted another finding with lesser impact that was reported as an other condition under finding number 2022-015 in this report.

Criteria: OIT’s Access Control Policy (updated April 29, 2021) Section 3 states that information owners are responsible for performing a “documented review of standard user access and execution rights, at least annually.” The OnePhilly SoD Policy Section 3.0 states that “SoD are designed to ensure that no individual has the capability of executing a particular task/set of tasks for which they are not authorized. This requirement is to ensure accountability as well as limit the ability of individuals to negatively impact the confidentiality, integrity, or availability of the OnePhilly system.”

Effect: There is a risk that over time access rights will not be updated due to oversights or aligned with expected access right entitlements. There may be users with access not commensurate with their job responsibilities. In addition, users may have access across incompatible roles, responsibilities, and permissions within the system, thereby potentially allowing a user to bypass system controls.

Cause: In certain instances, the OnePhilly team accepted negative confirmation for the recertification process, but this approach would not cover a review of user roles and security permissions assigned. Initial elevated access may have been required for these nine non-IT individuals since they are members of the Payroll and Human Resources team and provide support to the application. The SoD Policy did not appear to have any changes which could have caused the current year review and approval to not be performed, and it was an apparent oversight that the OnePhilly team did not document the review.

Recommendations: To improve access controls and SoD for the OnePhilly system, we recommend that OnePhilly management:

- Perform and document a formal UAR and recertification process including all city departments. The UAR should include all OnePhilly system users in addition to Oracle system and domain administrators and be performed on at least a quarterly basis. Each department’s review should evidence whether users’ access roles and permissions are appropriate or require revisions. The review should include signoff and approval from each designated department manager. All results should be retained for subsequent review and audit [303519.04].
- Review and re-evaluate domain administrator and system administrator access to the application. Privileged access should be restricted to IT personnel only. If it is necessary to provide privileged access to non-IT personnel, then management should monitor the activities of these employees to ensure they are authorized and appropriate [300422.05].
- Review and approve both the SoD Policy and supporting matrixes on at least an annual basis [300422.06].

2022-005 ACIS SYSTEM’S PASSWORD CONFIGURATIONS DID NOT MEET OIT REQUIREMENTS

Condition: As discussed on page 8 of the report, we engaged an independent accounting firm to conduct a review of general IT controls over key financial-related applications, including ACIS which is the city’s system

for professional services contracts. The assessment noted that the ACIS system's password parameter settings contained certain inadequate password configurations that did not meet OIT's password requirements.¹¹

Criteria: Password settings should be configured to meet OIT requirements to reduce the possibility of unauthorized access to systems.

Effect: Inadequate password configurations significantly increase the possibility of unauthorized access to the system, including malicious or accidental data manipulation or breach of data confidentiality.

Cause: OIT management has not performed a recent review and recertification of the system's password configuration settings.

Recommendation: OIT management should ensure that ACIS password configuration settings are updated to meet OIT's password requirements. If this solution is not feasible, management should prepare an exemption waiver as justification for the ACIS non-compliant password configuration settings [300422.07].

2022-006 TREASURER'S BANK RECONCILIATION PROCEDURES STILL REQUIRE IMPROVEMENT

Condition: In the prior audit, we reported that 50 of 69 bank reconciliations prepared by the Office of the City Treasurer (Treasurer) contained numerous long outstanding reconciling items. Also, we noted that the Treasurer was not in compliance with Pennsylvania's Disposition of Abandoned and Unclaimed Property Act (escheat act), failing to escheat long outstanding vendor and payroll checks. Our current year audit noted that these deficiencies still existed in the Treasurer's bank reconciliation procedures, while other previously identified deficiencies have been remediated. Specifically, the following was noted:

- Treasurer personnel were still not timely in their investigation and resolution of reconciling items. Current year testing of all 65 bank reconciliations disclosed 36 reconciliations with long outstanding reconciling items. As shown in Table 2 below, as of June 30, 2022, there were 829 bank reconciling items over 90 days old with a net total dollar amount of \$34.1 million and 1,279 book reconciling items over 90 days old with a net total dollar amount of \$56.3 million.
- Our testing again noted noncompliance with the Pennsylvania escheat act. There remained \$11 million in outstanding vendor checks for calendar years 2013 to 2019 and \$1.7 million in outstanding payroll checks for calendar years 2017 through 2020 that have not been escheated to the state. Treasurer personnel informed us that they were working to address the escheatment backlog by (1) canceling the escheatable vendor checks for fiscal years 2013 through 2018 so the funds can be moved to the city's Unclaimed Monies Fund for eventual escheatment to the state and (2) contacting payees for unclaimed payroll checks.

¹¹ Due to computer security concerns, certain details for this finding have been excluded from this report, which is publicly available. We issued a separate report which contained the detailed finding and was only distributed to city management.

Table 2: Reconciling Items Over 90 Days as of June 30, 2022

Bank Balance Reconciling Items						
	Additions to Bank Balance		Reductions to Bank Balance		Net Activity	
Date of Reconciling Item (Fiscal Year =FY)	# of Items	Dollar Amount	# of Items	Dollar Amount	# of Items	Dollar Amount
Prior to FY 2020	78	\$ 3,316,004	165	(\$ 2,828,455)	243	\$ 487,549
FY 2020	29	13,560,891	185	(18,040,502)	214	(4,479,611)
FY 2021	23	56,415,608	130	(45,387,992)	153	11,027,616
FY 2022 ¹²	151	90,958,078	68	(63,898,589)	219	27,059,489
All Fiscal Years	<u>281</u>	<u>\$ 164,250,581</u>	<u>548</u>	<u>(\$ 130,155,538)</u>	<u>829</u>	<u>\$ 34,095,043</u>
Book Balance Reconciling Items						
	Additions to Book Balance		Reductions to Book Balance		Net Activity	
Date of Reconciling Item (Fiscal Year =FY)	# of Items	Dollar Amount	# of Items	Dollar Amount	# of Items	Dollar Amount
Prior to FY 2020	242	\$ 87,944,515	219	(\$ 76,492,680)	461	\$ 11,451,835
FY 2020	160	61,207,209	98	(55,144,394)	258	6,062,815
FY 2021	151	94,364,518	74	(80,318,104)	225	14,046,414
FY 2022 ¹²	261	69,468,552	74	(44,684,408)	335	24,784,144
All Fiscal Years	<u>814</u>	<u>\$ 312,984,794</u>	<u>465</u>	<u>(\$ 256,639,586)</u>	<u>1,279</u>	<u>\$ 56,345,208</u>

Source: Prepared by the Office of the Controller based upon the June 30, 2022 bank reconciliations provided by the Treasurer's Office

Our current year review disclosed that the following previously reported conditions have been corrected:

- The prior audit noted that all Treasurer bank reconciliations did not evidence approval by administrative officials (either the City Treasurer, First Deputy City Treasurer, Deputy Treasurer, or Assistant Treasurer), as required by the Treasurer's *Bank Reconciliation Policy*. During the current audit, we found that 63 of 65 bank reconciliations selected for testing were signed and approved by an administrative official. Based upon the results of our testing, we believe that sufficient improvement has been made to consider this condition resolved [500121.01].
- Previous audits have reported ongoing problems with reconciling revenue activity for the Department of Public Health (DPH), noting variances between DPH's recorded collections and the amounts transferred daily to the consolidated cash account. In fiscal year 2022, the Treasurer, working with the Department of Revenue (Revenue), implemented a revised process for handling DPH receipts. The Treasurer discontinued the daily transfer of the DPH account's entire cash balance to the consolidated cash account. Instead, DPH revenue receipts are now separately reported on Revenue's daily collections report which enables the Treasurer to initiate manual transfers of the identified receipts from DPH's account to the consolidated cash account. As a result, recorded collections now match the related transfers. Based upon the improvements made to the process for DPH revenue receipts, we consider this condition resolved [500115.06].

¹² Amounts for fiscal year 2022 include reconciling items through March 31, 2022.

Criteria: SAP No. 7.1.3.b, *Reconciliation of All Bank Accounts in All City Agencies*, requires that monthly reconciliations of city bank accounts readily identify all of the specific transactions comprising the differences between book and bank balances to allow city agencies to investigate these reconciling items and determine whether they represent errors or irregularities. Effective internal controls require reconciling items to be researched promptly so that corrective action, where necessary, may be taken. Per the Treasurer's *Bank Reconciliation Policy*, revised on January 2022, any reconciling items must be resolved within 90 business days of the reconciled month.

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

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

Cause: Treasurer management failed to take adequate steps to ensure that all reconciling items were promptly investigated and resolved within 90 days in accordance with the *Bank Reconciliation Policy*. Regarding the long outstanding checks, Treasurer management has not completed the escheatment process.

Recommendations: To improve its bank reconciliation procedures, we recommend that Treasurer management investigate and resolve all reconciling differences between the Treasurer account book and bank balances within the 90-day requirement of the Treasurer's *Bank Reconciliation Policy* [500119.02].

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

2022-007 FAILURE TO CLOSE OUT PRIOR YEAR GRANT ACTIVITY INCREASES RISK OF REPORTING ERRORS

Condition: We previously reported that the Finance Office along with city departments failed to timely identify and close out remaining balances for certain completed grants. GAAU personnel employ a manual process to enter grant expenditures from the city's accounting system into the SEFA through a fund schedule, which is adjusted based on grant reconciliations and closeout reports provided by the departments responsible for grants.

The prior year report disclosed that the fund schedule contained \$26.9 million in accounts receivable and \$45.7 million in advances for inactive grants that expired three or more years ago. The current audit found that this condition has worsened. Specifically, our review of the seven departments with the largest accounts receivable and advance balances on the fund schedule identified \$66.7 million in accounts receivable and \$88.5 million in advances for grants that had no current year activity and the grant award date expired three or more years ago, ranging from fiscal years 1999 to 2019.¹³

Criteria: The city's SAP No. G 1-1 – *Grant Closeouts* provides a uniform procedure for city departments and the Finance Office's GAAU to follow for the purpose of closing the books and records on grants that have been completed or discontinued. SAP No. G 1-1 instructs city departments to notify GAAU when a grant is completed and send the final reimbursement request and/or closeout report to GAAU. SAP No. G 1-1 also requires GAAU to monitor grant expenditure activity in FAMIS at least twice a year to identify inactive grants for closeout.

Effect: Failure to timely close out remaining account balances for completed grants increases the risk of material reporting errors in the city's ACFR.

Cause: While GAAU sends annual reminders to departments to identify grants with award dates that expired three years ago, to be written off to the General Fund or to return the unused funds to the grantor, the departments do not always properly respond and timely identify and close out completed grants. Additionally, GAAU does not follow up on these requests.

Recommendations: To ensure the accuracy of the city's accounting records and reduce the risk of reporting errors, we recommend that Finance Office management:

- Instruct Finance Office accountants to complete the necessary adjustments to close out inactive grants in the Grants Revenue Fund [500121.02].
- Reinforce SAP No. G 1-1 requirements with both city departments and GAAU. Management should remind city departments of the requirements to notify GAAU of completed grants and submit the grants' final reports to GAAU. GAAU should monitor grant activity in FAMIS to identify and close out inactive grants in accordance with SAP No. G 1-1 [500121.03].

¹³ The seven departments selected for testing based on the largest dollar amounts of outstanding accounts receivable and advance balances were the Department of Planning and Development, the Managing Director's Office, Department of Public Health, Department of Behavioral Health and Intellectual disAbility Services, Department of Human Services (DHS), Office of Homeless Services, and First Judicial District of Pennsylvania. The \$66.7 million of accounts receivable and \$88.5 million of advances include inactive grants with an award expiration date of June 30, 2019 and prior for all departments except DHS. Since DHS' grants for fiscal years 2017 through 2019 were still being reconciled with the grantor agency, only balances with an award expiration date of June 30, 2016 and prior were included.

2022-008 CAPITAL ASSET CONTROL DEFICIENCIES INCREASE RISK OF REPORTING ERRORS

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

Lack of a Comprehensive Capital Asset System Hampered Reporting Process

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

Criteria: Philadelphia’s Home Rule Charter¹⁴ requires management to maintain current and comprehensive records of all real property belonging to the city.

Effect: The use of multiple files creates a burdensome and onerous process that could affect the accuracy and completeness of capital asset amounts reported in the ACFR and causes extensive audit effort.

Cause: While Finance Office management agrees that it would be beneficial to have a comprehensive capital asset system, resources have not been identified to initially fund and continually maintain it.

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

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

Condition: Except for the Philadelphia Water Department (PWD) and the DOA, which both periodically check the physical existence and condition of their real property assets, this year’s audit again disclosed no evidence that the city’s other real property assets had been recently inventoried. In its response to the prior year report, Finance Office management stated that they had met with the OIT’s Geographic Information System (GIS) unit concerning the objective of reconciling the fixed asset ledger to the Integrated Workplace Asset Management System¹⁵ (IWAMS). Also, this response indicated that the GIS unit performed a review of the fixed asset ledger during fiscal year 2021, reconciling it to IWAMS and noting some unreconciled items that would be addressed by the Finance Office. When we followed up on this matter during the current audit, Finance

¹⁴ The Philadelphia Home Rule Charter, Section 6-501

¹⁵ During fiscal year 2018, the Department of Public Property (Public Property) implemented the Integrated Workplace Asset Management System (IWAMS), which contains various data on the city’s real estate assets, including maintenance and improvement costs.

Office management informed us that no further progress was made on this project during fiscal year 2022, and they were unable to provide us with a completed reconciliation.

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

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

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

Recommendations: We continue to recommend that Finance Office management:

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

2022-009 SAPs REQUIRE UPDATING TO ENSURE ACCURATE AND CONSISTENT APPLICATION OF ACCOUNTING RULES AND REGULATIONS

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

In fiscal year 2022, the Finance Office applied for and was awarded \$250,000 from the Operations Transformation Fund (OTF)¹⁶ to support its SAP update project. The Finance Office used the OTF award to fund consultant support, which includes performing outreach to control and process owners throughout the city, working with relevant staff in city departments to update the SAPs, and ensuring that the updated draft SAPs obtain the appropriate sign-off from Finance Office management. During our current year follow-up, we were provided with an updated project tracking schedule as of February 24, 2023, which listed all active SAPs, indicated the status of each SAP's update (not started, in progress, or complete), and provided new target deadlines for completing updates for all SAPs by September 2023. Since February 2020, 10 SAPs have been completed, with the most recent being SAP No. 4.1.3, *Gift and SEPTA Card Management Procedures*, which was a new SAP issued in December 2022. Also, according to the project tracking schedule, there were 60 SAPs for which the update was in progress, with seven of them near completion and in the final stages of the update process.

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

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

Cause: Over the years, the Finance Office experienced staff reductions that have compromised its ability to conduct periodic reviews and updates to the SAPs. Also, we were informed that the Finance Office continues to experience operating and budgetary constraints.

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

¹⁶ The OTF was established to fund projects that create or transform a process or service that benefits Philadelphia residents and improves city government efficiency and impact. The \$10 million fund was open to city departments and employees to submit their ideas and apply for funding. A board and advisory committee led by the Office of the Chief Administrative Officer reviewed projects and awarded funding.

OTHER CONDITIONS

2022-010 ACCOUNTS PAYABLE REPORTING STILL NEEDS IMPROVEMENT

Condition: In the prior year, we reported that, in computing the accounts payable amounts for inclusion in the city's ACFR, Finance Office accountants failed to record \$67 million of accounts payable. Although our current audit noted considerable improvement, we again found errors in reported accounts payable, which consisted of a \$9.6 million understatement in the Water Fund and a \$3.1 million overstatement in the Grants Revenue Fund for a net understatement of \$6.5 million.

To improve accounts payable reporting, we previously recommended that the Finance Office extend the cut-off date for the departments to review accounts payable in the subsequent fiscal year, work with departments that faced unique and substantial challenges to properly reporting payables, and reinforce the accounts payable reporting requirements to all departments. Our current review disclosed that the Finance Office had made improvements to the accounts payable review process. The Finance Office accountants extended the cut-off date for their review of the subsequent year's payment vouchers from September to November 15th to identify additional fiscal year 2022 accounts payable. Also, they instituted another review of payment vouchers posted after the November 15th cut-off through January 15, 2023, which involved examining transactions with dollar amounts exceeding established thresholds to identify payables. Given (1) these enhancements made by the Finance Office to its accounts payable review procedures, (2) the significant reduction in the payable errors noted by us, and (3) the current year's payable errors mostly being attributable to the Finance Office's failure to correctly record payables for certain vouchers where the vendor's services spanned two fiscal years (as further detailed below in the Cause section), we believe that sufficient improvement has been made to consider these prior conditions resolved [500119.04, 500119.05].

Criteria: Generally accepted accounting principles (GAAP) require that governments report a liability in the period in which it is incurred.¹⁷ Governmental entities must establish adequate control procedures over the computation of accounts payable to ensure that reported amounts are accurate and complete.

Effect: As a result of the misstated payables, the city's ACFR contained the following errors:

- A \$3.1 million overstatement of both expenditures and accounts payable in the Grants Revenue Fund; and
- A \$9.6 million understatement of both construction in progress and construction contracts payable in the Water Fund.

We proposed adjustments to both funds to correct the city's ACFR for these errors, but the Finance Office and PWD management elected not to book our adjustments.¹⁸

¹⁷ There are exceptions to this standard for governmental funds, such as debt principal and interest which are recognized only when due. Also, certain specific accrued liabilities, such as pension benefits and other postemployment benefits, are recognized in governmental funds only to the extent that governments in general normally liquidate them with current financial resources.

¹⁸ As part of our audit procedures, for each of these funds, we combined these proposed adjustments with other uncorrected ACFR errors and determined that the resulting total was immaterial to the city's fiscal year 2022 financial statements.

Cause: The overstatement of accounts payable in the Grants Revenue Fund was primarily caused by Finance Office accountants incorrectly reporting a payment voucher's entire amount as a payable for fiscal year 2022 even though more than half of the transaction related to services performed in fiscal year 2023. Most of the Water Fund's understated accounts payable occurred when, for certain payment vouchers posted to FAMIS in August 2022 where the service period spanned both fiscal years 2022 and 2023, Finance Office accountants failed to record the portion of the vouchers related to fiscal year 2022 as accounts payable.

Recommendation: To improve the Finance Office's process for computing accounts payable and decrease the risk of misstated accounts payable, we recommend that, in their review of the subsequent year's payment vouchers, Finance Office accountants identify payment vouchers for which the vendor's services span multiple fiscal years and ensure that the accounts payable are accurately recorded for them and reflect only amounts for the reporting period [500122.01].

2022-011 WHILE IMPROVEMENT WAS NOTED IN DEPARTMENTS' BIWEEKLY PAYROLLS APPROVALS PROCESS, UPDATES TO AUTHORIZED SIGNERS NEED STRENGTHENING

Condition: In prior audits, we reported departments did not properly submit biweekly payroll approvals with the required two signatures by the payroll close deadline. In mid-September 2020, a new OnePhilly electronic payroll approval process was implemented. The electronic process requires departments to evidence their review and approval of payroll by having supervisory and executive-level approvers examine on-screen timecards and then electronically sign off by the closing date of the biweekly payroll. The executive-level approver must be an authorized signer listed on the department's signature authorization card. Also, for changes to all OnePhilly authorized signers, the Central Payroll Unit instructed departments to utilize a new Authorized Signer Update Form.

Our prior year testing disclosed 182 instances (16 percent) where departments did not submit the required two approvals by the payroll close deadline, and only 22 out of 50 departments were in full compliance with the OnePhilly approval process. The current year audit noted that the biweekly payroll approval process continued to improve during the first full fiscal year of electronic payroll approvals. Our testing of all 26 pay periods of fiscal year 2022 for 49 city departments disclosed 80 instances (6.23 percent) where departments did not submit the required two approvals by the payroll close deadline. While all 80 approvals were timely submitted, none of the approvals had the executive-level approver listed on the department's signature authorization card. Only 22 of the 80 instances were supported by an Authorized Signer Update Form listing the executive-level approver. Out of the 49 city departments, 42 were in full compliance with the OnePhilly approval process during our test period. However, the lack of an updated signature authorization card prevented the remaining seven departments from reaching full compliance with the electronic payroll approval process.

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

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

Cause: The Central Payroll Unit did not ensure that departments updated the executive-level approvers on the signature authorization cards when departments requested changes to the authorized OnePhilly payroll approvers. The Central Payroll Unit indicated that after the initial process to set up the OnePhilly electronic payroll approvers was performed, reminding the departments to update the signature authorization cards for changes to executive-level approvers and verifying that update was not a priority. Further, the electronic payroll approval training guides and the Authorized Signer Update Form did not instruct departments to update signature authorization cards when they requested changes to the OnePhilly executive-level approvers.

Recommendation: To improve the departmental payroll approval process, we recommend that the Central Payroll Unit establish procedures to ensure departments promptly update signature authorization cards to agree with requested changes to the authorized OnePhilly executive-level approvers. Instructions to complete these updates should be added to the OnePhilly electronic payroll approval training guides and the Authorized Signer Update Form [500119.03].

2022-012 CITY'S ACCOUNTING SYSTEM NOT UTILIZED FOR POSTING ENTERPRISE FUNDS' YEAR-END JOURNAL ENTRIES

Condition: As previously reported, accountants in the Finance Office, the PWD, and the DOA were still not utilizing the full accrual Water and Aviation Funds established in the city's accounting system (FAMIS) to post year-end adjusting journal entries to prepare the financial statements.

The current audit revealed that the Finance Office did not prepare any entries in FAMIS to record the activity and resulting ending balances for fiscal year 2022 in the full accrual Water Fund. As a result, four of 26 accounts only reflected the fiscal year 2022 beginning balances while the remaining 22 accounts represented the beginning balances for fiscal year 2020. Also, as reported in the prior year for the full accrual Aviation Fund, the last time the Finance Office prepared and posted entries in FAMIS was to record the fiscal year 2018 beginning balances. There have been no other journal entries posted since then to reflect the activity and resulting ending balances for fiscal years 2018 through 2022.

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

Effect: There is an increased risk of error in compiling the city's ACFR.

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

We observed that the entries posted to the FAMIS full accrual Water and Aviation funds were simply to record the balance (for a first-time entry) or a change in balance for each account rather than the actual year-end accrual adjustments. While Finance Office accountants stated that the information in these funds has little value and

is not used, we noted that the DOA used the balances in the Aviation full accrual fund as the beginning balances in the compilation. Since FAMIS only reflected the fiscal year 2018 beginning balances, the DOA accountants had to prepare additional journal entries to record the correct fiscal year 2022 beginning balances in compiling the Aviation Fund financial statements.

Recommendations: As the city continues to replace its financial accounting systems,¹⁹ we continue to recommend that Finance Office management include a process for the PWD and DOA to record their year-end accrual adjustments in the new accounting system [500119.06].

Since the FAMIS full accrual balances are utilized by the DOA in its compilation, we recommend that Finance Office accountants bring the balances in the FAMIS full accrual Water and Aviation funds up-to-date through fiscal year 2022 for the upcoming fiscal year 2023 financial statement preparation process and then continue to do so each subsequent year until FAMIS is replaced [500114.02].

2022-013 CERTAIN OTHER IT GENERAL CONTROLS FOR OIT NEED IMPROVEMENT

In addition to the significant deficiency discussed on pages 8 to 10 of this report, the assessment of OIT's IT general controls over key financial-related applications, conducted by an independent accounting firm engaged by us, noted the following other deficiencies with lesser impact:

- OIT had not performed a disaster recovery test during the audit period tested (fiscal year 2022), and their disaster recovery plan contained no dates of its last review and management approval.²⁰
- As noted in the prior year report, OIT's Change Management Standard Operating Procedure (SOP) still did not specifically address details of the Change Advisory Board (CAB) approval process and documentation standards for end-user testing.

Each of these conditions is discussed in more detail below.

Disaster Recovery Testing and Plan Update Was Not Performed by OIT

Condition: OIT disaster recovery testing was not performed during the audit period tested (fiscal year 2022). We also noted that the OIT Enterprise Management Disaster Recovery Plan contained no dates of its last review and management approval. We were unable to determine if the Plan was current or contained accurate disaster recovery detailed information.

Criteria: Disaster recovery plans are vital to organizations to avoid and mitigate risks associated with unplanned disruptions of operations. Disaster recovery testing is a process for restoring an entity's data in the event of a disaster and allows the city to maintain or resume critical operations following a significant or catastrophic event.

¹⁹ The city is continuing a project to modernize core financial, grants, procurement, and supply chain business processes, known as the Optimize Procurement and Accounting Logistics Enterprise Resource Planning (OPAL ERP) project.

²⁰ Due to computer security concerns, certain details for this finding have been excluded from this report, which is publicly available. We issued a separate report which contained the detailed finding and was only distributed to city management.

Effect: In the event of a disruption of service, the city may not be able to provide required services or continue limited operations until service is restored.

Cause: OIT management indicated that disaster recovery testing and Plan updates had not been recently performed because of the COVID-19 pandemic.

Recommendation: OIT management should perform disaster recovery testing at least annually. The disaster recovery testing results should be submitted for review and approval by senior management. We also recommend that management review and approve the Enterprise Management Disaster Recovery Plan on an annual basis [300422.08].

OIT Change Management Policy Was Still Not Updated to Address CAB Approval Process and Documentation Standards for End-User Testing

Condition: While current year testing of sampled change requests did not identify any exceptions related to documentation of end-user testing or required approvals, OIT management again indicated that the Change Management Standard Operating Procedure (SOP) created on January 29, 2019 was the current version. As noted in the prior year report, the current Change Management SOP did not specifically address (1) details on the CAB approval process and (2) how end-user testing should be documented. The OIT's compliance officer stated that OIT has drafted an updated Change Management SOP, which is expected to be published by the third quarter of calendar 2023 and will include a template to record detailed testing plans and results.

Criteria: Change management procedures should establish clear performance and documentation standards for end-user testing and required approvals to ensure that requested application changes are adequately tested and properly approved before migration to production.

Effect: Failure to establish clear performance and documentation standards for end-user testing and required approvals increases the possibility that unauthorized or inadequately reviewed changes will be implemented in the production environment.

Cause: OIT management has not performed adequate monitoring of the change management function to ensure that the policy clearly identifies standards for documenting end-user testing and the required approvals (including CAB) for the different change types.

Recommendation: OIT management should update its Change Management SOP to include (1) documentation standards for end-user testing and (2) information relating to how approvals for all change types should be documented in the service ticket [300413.05].

2022-014 DISASTER RECOVERY TESTING HAD NOT BEEN PERFORMED FOR PRISM

Condition: Disaster recovery testing had not been performed on the PRISM system. A full failover test for the system was expected to be conducted in the first quarter of calendar 2023.²¹

Criteria: Disaster recovery testing is a process for restoring an entity's data in the event of a disaster and allows the city to maintain or resume critical operations following a significant or catastrophic event.

Effect: In the event of a disruption of service, the system may not be able to provide required services or continue limited operations until service is restored.

Cause: PRISM management indicated that this condition was impacted by the system go-lives being performed in two separate rollout implementations.

Recommendation: Revenue IT management should perform a full failover disaster recovery test that specifically addresses PRISM at least annually. The results of the testing should be documented and retained for review and audit [300422.09].

2022-015 ONEPHILLY PHYSICAL SECURITY POLICY WAS NOT RECENTLY REVIEWED

Condition: For the third-party vendor who manages the OnePhilly system's daily operations, the assessment noted that the vendor's Physical Security Policy and Physical Access Control documents for OnePhilly were last reviewed and updated on April 28, 2021.²²

Criteria: Physical security documents are vital to organizations so that they have a proactive plan to safeguard the system's information from unauthorized access, misuse, and technical hazards.

Effect: In the event of a physical security breach, the system may not be able to provide the required services to safeguard its information.

Cause: OnePhilly outsources services to a third-party vendor which could result in delays in obtaining technical vendor documentation.

Recommendation: OnePhilly management should request the assistance of its third-party vendor in obtaining the current Physical Security Policy and Physical Access Control documents [300422.10].

2022-016 CERTAIN IT GENERAL CONTROLS FOR PHLCONTRACTS REQUIRE STRENGTHENING

We conducted, with the assistance of a consultant, an assessment of IT general controls over key financial-related applications, including PHLContracts, the city's e-Procurement system for the various city contracts

²¹ In addition to the other condition reported above, the assessment of PRISM's IT application and general controls, conducted by an independent accounting firm engaged by us, noted a significant deficiency which is discussed on pages 10 to 11 of this report.

²² In addition to the other condition reported above, the assessment of the OnePhilly system's IT general controls, conducted by an independent accounting firm engaged by us, noted a significant deficiency which is discussed on pages 11 to 12 of this report.

handled by the Procurement Department. The following deficiencies in PHLContracts' IT general controls were noted:

- The disaster recovery and contingency plans showed no evidence of recent review.
- There was no change management policy maintained for PHLContracts.

Each of these conditions is discussed in more detail below.

Disaster Recovery and Contingency Plans Were Not Recently Reviewed for PHLContracts

Condition: The review of the current disaster recovery plan for PHLContracts determined that the last review and revision occurred in June 2021. For the contingency plan, the last review and revision occurred in November 2020. The Procurement Department outsources their disaster recovery services to a third-party vendor, Periscope.

Criteria: Disaster recovery and business continuity plans are vital to organizations, so they have a proactive plan to avoid and mitigate risks associated with unplanned disruptions of operations.

Effect: In the event of a disruption of service, the system may not be able to provide required services or continue limited operations until service is restored.

Cause: The Procurement Department outsources services to a third-party vendor which could result in delays in obtaining technical vendor documentation.

Recommendation: Procurement Department management should request the assistance of their third-party vendor in reviewing and updating the disaster recovery and contingency plan documents. In addition, management should also ensure that the vendor provides evidence that the application's disaster recovery plan is successfully tested at least annually [300422.11].

Change Management Policy Was Not Maintained for PHLContracts

Condition: The Procurement Department did not have a change management policy in place for managing the change request process for the PHLContracts application.

Criteria: The change management policy should establish clear performance and documentation standards for application changes, including procedures for change request submission, approval, testing, and migration to production.

Effect: In the absence of a documented change management policy, unauthorized or inadequately tested and reviewed changes could be implemented into the production environment.

Cause: The Procurement Department's team does not have access to the production environment and must submit a change request ticket to the third-party vendor to make application changes for them.

Recommendation: Procurement Department management should work with the third-party vendor to document and implement a change management policy to ensure that all required steps for application changes are clearly defined and understood by all related parties [300422.12].

CORRECTIVE ACTIONS TAKEN BY MANAGEMENT

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

Our follow-up has disclosed that the city made progress addressing several prior issues. We blended the status of resolved prior-noted conditions²³ with new observations and reported upon these matters in other sections of this report.

As previously noted in this report, we engaged an independent accounting firm to perform an assessment of OIT's IT general controls over key financial-related applications and the IT general controls for the OnePhilly system. As part of this assessment, follow-up of prior-noted conditions was performed, and the review determined that several prior year issues were resolved, as discussed below.

OnePhilly System IT Application Controls Improved

Previously, we reported that multiple breakdowns remained in the functionality and application IT controls of the OnePhilly system which were considered to be a material weakness. The following summarizes the prior conditions and their remediation status:

Assumed Time Reconciliation

Prior Condition: Assumed time continued to be automatically recorded by the OnePhilly system if an employee's timecard was short of the employee's regular hours. While departments were provided with an Assumed Time Reconciliation report to retroactively reconcile all assumed time within a required timeframe, insufficient controls existed to ensure that retroactive changes occurred at the departmental level in a timely manner.

Remediation Status: **Complete** – The results of the Assumed Time Dashboard reconciliation for two departments were inspected. The results showed that assumed time was recorded and reconciled.

Inappropriate Hour Types on Employee Timecards

Prior Condition: Employee timecards continued to show hour types, such as regular time or on-call time, that were not appropriate for the employee's position, increasing the likelihood of erroneous or fraudulent time entry.

Remediation Status: **Complete** – During the current review, examples were observed where time entry rules were enforced when an employee attempted to enter hours on a timecard, in an hours type that the employee was ineligible to receive.

²³ The resolved prior-noted conditions involved (1) improvements made by the Treasurer to bank reconciliation procedures, including reconciliations now containing required management approvals and a revised process for handling DPH revenue receipts, as discussed on page 14 of the report, and (2) improvements made by the Finance Office to its accounts payable review process, as discussed on page 20 of the report.

Automatic Process for Changing Unapproved Timecards to Approved Status

Prior Condition: The OnePhilly team continued to use an automated process to change unapproved timecards to approved status. Departments were responsible for retroactively examining timecards and making corrections. However, insufficient controls existed to ensure this post-pay review and correction occurred at the departmental level.

Remediation Status: **Complete** – The current assessment conducted walkthrough meetings with OnePhilly management and inspected results showing automated notifications were being sent to employees, supervisors, and timekeepers for missing or overdue timecard submissions.

Deficiencies in Timecard Status Summary Dashboard

Prior Condition: The Timecard Status Summary Dashboard (including the Missing Timecard Report) was not restricted by department. The Super Timekeepers were able to view all employees on the Dashboard. In addition, the Timecard Status table within the Dashboard did not reflect the total population of timecards as the missing timecards were not included.

Remediation Status: **Complete** – The assessment conducted walkthrough meetings with OnePhilly management and obtained sample results of the Timecard Retrieval Dashboard, which evidenced that timecards were now being restricted by department, and Super Timekeepers were only able to view their respective department timecodes.

Monitoring of Files Sent to Third Parties

Prior Condition: Formalized monitoring had been developed for files sent to various third parties including city employee unions, benefits providers, and insurance providers. However, these monitoring activities were not supported by a written policy.

Remediation Status: **Complete** – OnePhilly management provided a written Interface Monitoring Policy that was created in support of monitoring activities.

Based upon the current year's observations, we believe that sufficient improvement has been made to consider the above conditions resolved [303519.01].

Improvement Was Noted for Certain OnePhilly IT General Controls

Several prior-noted conditions regarding OnePhilly IT general controls were determined to be resolved, as discussed below.

Password Configurations

Prior Condition: OnePhilly password settings did not align with certain requirements in OIT's Information Security Access Control Policy, such as that passwords cannot be proper names or dictionary words and passwords used for production systems cannot be the same as those used for

non-production systems. The requirement regarding a unique password for each system cannot be configured in OnePhilly. During the period under audit, OnePhilly management had not applied for an exception to the OIT password policy.

Remediation Status: **Complete** – For OnePhilly, it was observed that the Oracle user account passwords must be a minimum length of eight characters with complexity and are set to expire every 90 days to match the OIT password requirements. For the OnePhilly password settings that do not align with OIT password requirements, an exemption waiver was approved on March 30, 2022 for the OnePhilly system, and the waiver was maintained by OIT. Therefore, this condition is considered resolved [303519.05].

Go-Live Approval Documentation

Prior Condition: Documented formal approvals or signoffs by the OnePhilly Steering Committee, authorizing the Go-Live of the system in December 2018 (Human Resources and Benefits) and March 2019 (Payroll and Time & Attendance), were not documented or maintained. In addition, meeting minutes, including reports/ presentations used to support the Steering Committee's decision to Go-Live, including the decision to defer the Payroll and Time & Attendance Go-Live from December to March, were not maintained. This finding could not be fully tested during fiscal year 2021, as no additional modules were released, and therefore no Go-Live authorizations were given.

Remediation Status: **Complete** – During the assessment, documentation was inspected evidencing that signoffs were provided by the Steering Committee through a Steering Committee report which identified the projects, defects, and enhancements that were completed. We believe that sufficient improvement was made to consider the condition resolved [303519.06].

Documentation of Impacted Accounts

Prior Condition: When system issues were identified, documentation to determine all impacted city employee accounts was not maintained.

Remediation Status: **Complete** – OnePhilly documentation was observed during the current year's testing, and it was noted that an analysis of defects was performed and evidence was maintained to show the impacted accounts. Therefore, this condition was considered resolved [303519.07].

Application and System Patching

Prior Condition: From Go-Live through June 30, 2019, operating system (OS) patches had not been applied to production Linux servers, and Oracle patches had not been applied to the production instance of the OnePhilly application. In fiscal year 2020, OS patches were applied to the Linux servers, and Oracle patches were applied to the production instance of OnePhilly. In the fiscal year 2021 audit, although it was noted that the OnePhilly team created a patching calendar detailing the timeline for each patch application, it had not developed criteria detailing recommendations for how quickly a patch should be evaluated and applied.

Remediation Status: **Complete** – During the current assessment, IT documentation was inspected that evidenced Linux OS and Oracle patches were being applied on a regular, consistent basis during fiscal year 2022. Based on these observations, we believe that sufficient improvement was made to consider this condition resolved [303519.08].

Backlog of Change Tickets

Prior Condition: As of September 29, 2021, there were 209 open change tickets. All of these tickets had been open more than 90 days. 78 of these tickets were high priority, 70 were medium priority, and 61 were low priority. 102 of these tickets were to correct defects, and 107 tickets were to implement enhancements.

Remediation Status: **Complete** – At the time of the current assessment, there were a total of 41 open change tickets which included one high priority, seven medium priority, and 33 low priority items. Since significant progress has been made to reduce the total number of open change tickets, we consider this condition resolved [303519.09].

Disaster Recovery Testing

Prior Condition: A full disaster recovery test had not been performed against the disaster recovery plan established for OnePhilly. The OnePhilly team had completed significant portions of full disaster recovery testing, but a portion was omitted due to employee unavailability, and no mitigating tests were conducted on this module.

Remediation Status: **Complete** – During the current assessment, OnePhilly management provided documentation supporting that a disaster recovery switchover test had been successfully performed on June 18, 2022 between OnePhilly and the third-party vendor who manages daily OnePhilly operations. We, therefore, consider this condition resolved [303519.10].

Improvement Was Noted for Certain OIT IT General Controls

Several prior-noted conditions regarding OIT's IT general controls were determined to be resolved, as discussed below.

FAMIS and ADPICS Segregation of Duties

Prior Condition: OIT did not properly segregate duties in that four OIT employees continued to have database administrator access as well as systems administrator access within FAMIS and ADPICS.

Remediation Status: **Complete** – During the current assessment, it was observed that database administrator and system administrator access had been appropriately segregated for the FAMIS and ADPICS financial applications. We consider this condition resolved [300419.03].

IT Policies and Procedures – Basis2 Security Policy

Prior Condition: The Revenue IT group did not provide a documented security policy that governs the Basis2 application.

Remediation Status: **Complete** – The current review observed that there was now a formal Basis2 security policy and procedure which was last updated on December 5, 2022. Additionally, it was noted that the Basis2 application was also governed by the OIT security policies and standards. We consider this condition resolved [300416.01].

IT Policies and Procedures – Firewall Administration, Maintenance, and Monitoring

Prior Condition: OIT's existing documented policies did not cover firewall administration, maintenance, and monitoring requirements. OIT had drafted a policy to address firewall administration issues, but it had not been finalized or approved by OIT management.

Remediation Status: **Complete** – IT management provided the documented OIT Network Firewall standards which became effective on May 25, 2022. The standards identified the requirements for firewall administration, maintenance, and monitoring activities. We consider this condition resolved [300419.01].

Authorization – Database Administrator Access

Prior Condition: OIT had not provided a formal policy for granting database system access to IT consultants or finalized a Basis2 access request form.

Remediation Status: **Complete** – OIT's Access Control Policy with an effective date of April 29, 2021 outlined controls for authorizing administrator access including account management and least privilege requirements. With respect to consultants, the policy states that user credentials established for contractors must have a specified expiration date unless approved in writing through an OIT defined exception process. Also, contractors who require privileged access must have it explicitly requested and approved by an account sponsor, and privileged access must be granted with an expiration date with a review required for renewal. Usage of the Basis2 User ID request form was observed during the current review. Based upon these observations, we consider this condition resolved [300416.04].

Business Continuity Plan

Prior Condition: A business continuity plan had not been developed for the in-scope applications. OIT acknowledged that they had not worked with the Office of Emergency Management to review the IT components of departmental Continuity of Operations Plans (COOPs), and that the process had remained informal for departments that maintain COOPs.

Remediation Status: **Complete** – During the current assessment OIT provided their COOP dated January 20, 2023. This document served as the OIT business continuity plan. We consider this condition resolved [300413.13].

Basis2 Disaster Recovery

Prior Condition: There was no formal written disaster recovery plan that specifically addressed Basis2.

Remediation Status: **Complete** – During the current assessment, the Department of Revenue provided a formal, documented COOP which served as the Basis2 disaster recovery plan. We consider this condition resolved [300413.14].

RESPONSE TO AUDITOR'S REPORT



CITY OF PHILADELPHIA

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ROB DUBOW
Director of Finance

May 31, 2023

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

Re: Auditor's Report on Internal Control and on Compliance and Other Matters – Fiscal 2022

Dear Mr. Edacheril:

Thank you for the opportunity to respond to the findings and recommendations reported in the City of Philadelphia's Fiscal 2022 Auditor's Report on Internal Control and on Compliance and Other Matters. Prior to providing our responses, I would like to underline management's commitment to eliminate conditions brought to their attention during prior audits and the tremendous work we have done and continue to undertake to eliminate findings. I would like to thank you for noting the resolutions and improvements made to prior year findings at the end of your report. The significant improvements to OnePhilly IT Application and IT General Controls and the correction and resolution of multiple OnePhilly prior year findings are notable and commendable. As of September 29, 2021, OnePhilly had 209 open change tickets that were open for more than 90 days. 78 of these tickets were high priority, 70 were medium priority, and 61 were low priority. I am pleased that at the time of your audit, there was only one (1) high priority item, seven (7) medium priority items, and 33 low priority items open. Other notable corrections related to OnePhilly include: the resolution of the finding related to inappropriate hours types on employee timecards, the elimination of the condition that insufficient controls existed to ensure that post-pay review and correction occurred at the departmental level, the elimination of the prior condition that the Timecard Status Summary Dashboard (including the Missing Timecard Report) was not restricted by department, the elimination of the condition that a written policy did not exist for monitoring third-party interface files, the elimination of the prior condition that OnePhilly and OIT password requirements did not align, the resolution of the condition that formal Go-Live authorization documentation did not exist, the elimination of the condition that OnePhilly failed to document impacted accounts during issue resolution, and the elimination of the condition that patches were not applied on a regular and consistent basis, among other OnePhilly corrections identified in your report. Finally, thanks for also outlining the corrections made by OIT, including appropriately segregating duties for FAMIS and ADPICS, implementing a formal Basis2 security policy and procedure that is regularly updated, implementing IT Policies and Procedures for Firewall Administration, Maintenance, and Monitoring, implementing a formal policy for granting database system access, developing a Basis2 access request form, and developing an OIT

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business continuity plan and formal written disaster recovery plan to eliminate prior conditions for OEM and Basis2.

The efforts to eliminate findings have been enormous, and we will continue to work to strengthen our controls, and improve our processes and procedures where conditions exist. We offer the following responses to the findings and recommendations found in the Controller's Office audit for fiscal year 2022:

2022-001 Staff Shortages Along with the Lack of a Comprehensive Financial Reporting System Have Contributed to Significant Financial Statement Errors

Finding & Recommendation: You state that ongoing inadequate staffing (compared to staffing levels in 2000), along with the lack of a comprehensive financial reporting system, have hindered the ability of the Finance Office to produce a timely and accurate Annual Comprehensive Financial Report (ACFR) for audit. You also state that Finance Office accountants did not provide financial statements and footnotes reflecting the new lease accounting and reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, until very late in the audit. You also note that the most significant errors were corrected, and the City's publicly issued fiscal year 2022 ACFR can be relied upon for informative decision making. You continue to recommend that Finance Office management either hire more accountants or invest in a new comprehensive financial reporting system that will reduce the current labor-intensive procedures needed to prepare the city's ACFR. Further, you recommended that management follow through with its plan to use the accounting firm to assist with the preparation of the compilation package with detailed documentation supporting the ACFR for fiscal year 2023, and to finalize the review checklist for the full accrual government-wide financial statements.

Response: The Accounting Bureau (Accounting) continues to be committed to producing a timely, accurate and well-prepared ACFR and to improving the City's financial reporting. We continue to actively work on implementing staff retention and training strategies; we added an additional senior level position to increase the accounting team's capacity, and budgeted to expand staffing in the upcoming year, including IT system support staff for the new system implementation, and through our continued focus on training, required senior accountants to attend the national Government Finance Officers Association (GFOA) conference to ensure the accounting team stays informed of current industry trends, regulatory updates, and best practices in government financial management.

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

The Accounting Bureau works with departments to eliminate errors and makes corrections to any erroneous reporting identified during the year end reporting process. The team will work to bolster our year end journal process to avoid any errors similar to the DBHIDS journal entry (highlighted by the Controller's Office) which resulted in a \$19M net advanced revenue receivable overstatement that was corrected in the published version of the ACFR. Furthermore, GAAU continues to urge departments to provide adequate support to enable accurate posting of expenditure transfers. GAAU will continue to request timely and accurate FAMIS reconciliations with the appropriate support to continue to improve the accuracy of our financial reports.

The Accounting Bureau is fully committed to the timely and accurate implementation of all GASB regulatory requirements. We successfully implemented GASB 84 during the FY21 ACFR audit and re-shifted available resources to work on the GASB 87 implementation as soon as possible. Given the complexity of GASB 87, the Accounting Bureau carefully selected the lease management software that would best meet the city's needs. Unfortunately, the substantial changes needed in both the reporting and the disclosure requirements negatively impacted the implementation timeline. The accounting team is already working on reducing the implementation timeline for GASB 96.

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

Accounting has received the GFOA Certificate of Achievement for Excellence in Financial Reporting for 42 consecutive years and has successfully addressed all GFOA recommendations presented in that process. As always, Accounting will continue to critique the errors in the drafts sent to the Controller's Office and the adjustments resulting from the most recent ACFR audit with the entire accounting staff as a learning tool to produce improved financial statements going forward.

2022-001 Late Submission of Aviation Fund Financial Statements Continues to Delay Preparation and Audit of ACFR

Finding & Recommendation: You state that the late submission of the Aviation Fund financial statements and the supporting compilation again contributed to the city's inability to timely prepare the preliminary ACFR. You highlight the improvements in the timeliness of the Division of Aviation (DOA) submissions but indicate that despite this progress, significant sections of the compilation were not provided until January 13, 2023 and adjustments for the implementation of the GASB Statement No. 87 lease requirements were not submitted until February 7, 2023, resulting in final adjusted Aviation Fund amounts not being included in the city's ACFR until February 16, 2023, only nine days before we issued the opinion. You continue to recommend that the Finance Office and the DOA work together to establish an earlier deadline for the completion of the Aviation Fund Financial Statements and the supporting Compilation.

Response: Thank you for acknowledging the year over year improvements in the timeline in which the DOA provided key financial statement data. The DOA worked with the Office of the Director of Finance to create a timelier submission schedule that saw more than 50% of the schedules submitted two weeks earlier than the prior year. Due to the complex nature of certain calculations, there was once again a delay in providing final balances for select accounts that were necessary for the DOA compilation calculations, which again extended the timeline for the submission of some final balances beyond early December. However, once the necessary finalized numbers were received, within one business day, the DOA completed, reviewed, and submitted its financial statement compilation. The Office of the Director of Finance and DOA will continue to develop a schedule that is in line with the Controller's Office target deadlines/submission dates. In addition, now that DOA has successfully implemented the new GASB 87 requirements, and learned the new lease management software, DebtBook, there should be a reduction in the time it takes to prepare and submit these reports moving forward. The Division of Aviation has and will continue to work with the Office of the Director of Finance to submit financial statements and compilations that are timely, accurate, and include a compilation review checklist.

2022-001 Late Receipt of Financial Reports for Component Units and Fairmount Park Trust Funds Still Delayed Preparation and Audit of ACFR

Finding & Recommendation: You again found that the submission of required financial reports very late in the audit process represents the greatest challenge to the timely completion of the ACFR, leaving Finance Office accountants and Controller's Office auditors little time to ensure that the financial reports are accurately included in, or excluded from, the city's ACFR. You continue to recommend that Finance accountants request the assistance of the Finance Director early in the ACFR preparation process to secure the cooperation of Component Unit and FPTF management in the timely submission of their respective final financial reports.

Response: We agree that the timely submission of all Component Unit reports is critical to the timely issuance and accuracy of the City's ACFR. We will continue to meet with management and auditors of various Component Units

concerning timely submission of financial reports, as well as have additional meetings to provide guidance and assist with problems in Component Units that experience issues that delay the preparation of their financial reports. Finance continues to send initial requests for Component Unit financial statements and data in as early as May for all entities with a March 31 fiscal year end, with required responses no later than June 30. We also send requests to all other Component Units by the end of June, with responses required by August 31. Follow-up requests are sent out to Component Units, with an emphasis on the importance of timely submission of financial data highlighted in all communications. As a result of our communication efforts, the total number of late submissions from Component Units decreased to four from five in the previous year.

The four Component Units and the fiduciary fund that did not provide submissions by the due dates are PMA (Philadelphia Municipal Authority), PPA (Philadelphia Parking Authority), PRA (Philadelphia Redevelopment Authority), SDP (School District of Philadelphia), and FPTF (Fairmount Park Trust Funds), respectively. Each had valid reasons for their delay. PMA experienced delays due to the GASB 87 implementation. PMA anticipates an early submission next year. PPA submitted their audited report late, but it was submitted by December 19th, and therefore should not have impacted the audit. PPA will continue to work diligently towards meeting financial statements submission deadlines. PRA audited financial statements were again delayed due to staff shortages in their Finance unit but expects to see improvement for FY23. The SDP was delayed due to their audit being delayed. FPTF financial statements were submitted late due to staffing issues experienced by both their auditor and internally. The Accounting Bureau will continue to work with the Component Units and the fiduciary fund management to ensure timely submission of audited financial statements; and will continue to engage me as needed.

2022-001 Untimely Preparation of Schedule of Expenditures of Federal Awards May Result in Late Submission of the Single Audit Reporting Package to the Federal Audit Clearinghouse

Finding & Recommendation: You state that for the fiscal year ending June 30, 2022, a preliminary SEFA was not prepared and provided for audit until March 8, 2023, which was only 23 days prior to the required deadline of March 31st to submit the reporting package. You further state that multiple follow-ups and untimely and inaccurate responses from departments further delayed the preparation and submission of an accurate SEFA for audit. You recommend that Finance allocate adequate resources to ensure timely preparation and submission of the SEFA for audit purposes. You also recommend the proactive enforcement of the existing policies and procedures requiring departments to complete the FAMIS expenditure reconciliations by the due date.

Response: Finance recognizes the importance of submitting a timely and accurate federal awards and major programs schedule (SEFA) to our auditors. More importantly, we understand the need to timely complete our audits, and to submit an accurate Single Audit Reporting package to the Federal Audit Clearinghouse to prevent a violation of federal grant terms and conditions and to prevent the suspension of federal funding for the City's grants and programs. While Finance acknowledges GAAU needs to continue all efforts to improve the SEFA submission timeline, and the Controller's Office needs to ensure its audits are completed in a timelier manner, Finance also requests that the Controller's Office continue to work with Grants Accounting and departments to determine an appropriate timeline for the Single Audit to ensure compliance with federal regulations. Finance management has also begun carrying out enforcement measures to ensure department compliance, where appropriate.

2022-002 OIT's Access Controls and Segregation of Duties for Key Financial Systems Require Strengthening

Finding & Recommendation: You mention your review of the OIT's general information technology (IT) controls over key financial-related applications noted the following weaknesses in OIT's access controls and segregation of duties (SoD) for key financial-related applications: OIT was still unable to provide documented evidence that user access reviews (UARs) were performed for certain key financial-related applications; OIT did not always maintain documentation for the authorization of new user access; OIT had still not completed the draft policy to formally document the process for the notification of employee terminations; certain non-IT employees had system administrator access to a key financial related application, creating an SoD risk; OIT still did not properly segregate the duties of two employees who continued to have database administrator access as well as system administrator access in a key financial-

related application. You recommend that OIT establish and document a formal process to perform UARs; validate and ensure current processing procedures for user access provisioning and deprovisioning are appropriate; work with the Office of Human Resources and/or the OnePhilly team to establish a formally documented process for the notification of employee terminations; for the non-IT employees with system administrator access to a key financial-related application, and for the 2 employees that have both system administrator and database administrator access within a key financial-related application: revoke this access and restrict system administrator access to IT personnel only and separate the system administrator function from the database administrator function. If this solution is not feasible, OIT should prepare an exemption waiver as justification for the access and perform monitoring and review of activity to ensure only authorized transactions are performed.

Response: OIT is committed to improving access controls and segregation of duties over key financial-related applications. OIT is already in the process of documenting, reviewing, and updating access control procedures for enterprise systems in the Access Control Policy, with an estimated completion date of Q1 FY24, followed by implementation and process improvements. This should address the control weaknesses identified for user access reviews, segregation of duties, provisioning and deprovisioning, and termination notification. The segregation of duties concerns identified for a key financial-related application will be addressed through reduction of permissions when possible. Where permissions cannot be reduced, OIT will work with the business owners of the system to prepare an exemption waiver or to document risk acceptance with acceptable compensating controls.

2022-003 PRISM's Initial User Access Approvals Were Not Documented, and Periodic User Access Review was Not Performed

Finding & Recommendation: You state that the Philadelphia Revenue Information System Management (PRISM) team was unable to provide new user tickets as evidence for the initial onboarding of 25 sampled users. You also state that as of January 2023, the PRISM team had not performed a current User Access Review (UAR) of the PRISM system users. You recommend that PRISM management formally document new user access requests and approvals of those requests using new user tickets and complete the UAR of all PRISM users and their assigned roles and system privileges, which should include management sign-off.

Response: During the implementation phases, we deployed a different process to onboard new users that involved engaging management to review and approve users. We communicated during the audit that post implementation there is now a formal ticketing process in place, and we also have a process in place for UAR to be conducted periodically.

2022-004 OnePhilly System's Access Controls and Segregation of Duties Need Improvement

Finding & Recommendation: You state that the OnePhilly User Access Reviews (UAR) was missing the following pertinent control information: the details pertaining to the scope of the review; an assessment of specific user roles and security permissions to identify and remove SoD breakdowns; any exceptions identified; and management signoff. You also state that current management procedures did not require receipt of UAR confirmation responses from all sampled/in-scope departments. Further, you state that duties were not adequately segregated in several instances, with domain administrator and system administrator access maintained by nine non-IT personnel and at least two IT developers who were city contractors. You also state that the OnePhilly SoD Policy and supporting role-based SoD matrix were not reviewed and approved on an annual basis. You recommend that OnePhilly management: Perform and document a formal UAR and recertification process including all city departments; Review and re-evaluate domain administrator and system administrator access to the application; Review and approve both the SoD Policy and supporting matrixes on at least an annual basis.

Response: The OnePhilly team has worked tirelessly to bolster controls and has done a tremendous job stabilizing the OnePhilly system since its implementation in 2019. We have implemented many controls, including periodic UAR, which are required across all departments. We provided evidence during the audit of the various types of UAR outcomes, which demonstrated an assessment of specific user roles and security permissions to identify and remove SoD breakdowns, identify any exceptions, and obtain management signoff. We also provided evidence that the OnePhilly

SoD Policy and supporting role-based SoD matrix were reviewed and approved on an annual basis, but for the audit period in question, the SoD matrix was updated but no changes were needed upon review of the OnePhilly SoD policy, and therefore, no signoff was completed. Moving forward, the OnePhilly team will sign off and note any changes or "no changes" to the OnePhilly SoD policy. Finally, we disagree with the Controller's finding regarding non-IT personnel: The OnePhilly Team has IT personnel that are embedded in the team and are not a part of the City's OIT team. The Controller's Office and its contracted auditing firm suggested that OIT personnel can only exist on the city's OIT team, but that is not the case for OnePhilly. The demanding needs of the application require a dedicated IT team, and that dedicated team exists within the OnePhilly Team. All City IT personnel, regardless of their department, are required to follow all applicable OIT policies and procedures.

2022-005 ACIS System's Password Configurations Did Not Meet OIT Requirements

Finding & Recommendation: You state that ACIS system's password parameter settings contained certain inadequate password configurations that did not meet OIT's password requirements. You recommend that OIT management ensure that ACIS password configuration settings are updated to meet OIT's password requirements. If this solution is not feasible, management should prepare an exemption waiver as justification for the ACIS non-compliant password configuration settings.

Response: OIT is working with the ACIS team to enable password configuration settings that match the OIT password requirements where possible, and to establish an exemption waiver or to document risk acceptance with acceptable compensating controls where the legacy system does not support modern password requirements.

2022-006 Treasurer's Bank Reconciliation Procedures Still Require Improvement

Finding & Recommendation: You state that Treasurer personnel were still not timely in their investigation and resolution of reconciling items and current year testing of all 65 bank reconciliations disclosed 36 reconciliations with long outstanding reconciling items. You state that your testing noted noncompliance with the Pennsylvania escheat act and specifically, that there remained \$11 million in outstanding vendor checks for calendar years 2013 to 2019 and \$1.7 million in outstanding payroll checks for calendar years 2017 through 2020 that have not been escheated to the state. You recommend Treasury investigate and resolve all reconciling differences between Treasurer account book and bank balances within 90 days in accordance with the Treasurer's Bank Reconciliation Policy. You also recommend that the Treasurer and Finance Office management work together to ensure that all escheatable amounts are reported and paid to the Pennsylvania Treasury. You ask that the Treasurer comply with SAP No. 4.1.2 in remitting all checks outstanding over one year to the city's Unclaimed Monies Fund, and that the Finance Office send all unclaimed monies due to the Pennsylvania Treasury in accordance with the state escheat act.

Response: Thank you for highlighting the corrections of previously reported conditions, including evidence of approval by administrative officials (either the City Treasurer, First Deputy City Treasurer, Deputy Treasurer, or Assistant Treasurer) – testing revealed approvals on substantially all of our bank reconciliations; and the implementation of a revised process for handling DPH receipts that has eliminated previously reported issues with reconciling DPH revenue activity. We are happy that these conditions are closed. Thank you also for acknowledging the improvement in the timeliness of monthly and fiscal year end bank account reconciliations.

The Treasurer's Office is committed to continuing to improve the reconciliation of legacy variances and to timely address current year variances. From FY21 to FY22, we reduced the number of bank accounts with long outstanding issues by 36 percent and the dollar value of long outstanding variances across all accounts through thorough and consistent research. We acknowledge the finding that more work needs to be done to continue to reduce the number and dollar amount of current and prior year variances. Our accounting staff will continue their efforts, cross training, and collaboration with required departments to further reduce bank reconciliation variances within the 90-day period stated in the bank reconciliation policy.

Regarding the escheatment finding, the Treasurer's Office completed the escheatment process in April 2023 to send \$7,554,453.91 in eligible general disbursement funds to the City's unclaimed fund which was then transferred to the Commonwealth of Pennsylvania. This escheatment submission addresses the legacy backlog for calendar years 2013 to 2018. The Treasurer's Office is now reviewing the eligible calendar year 2019 and 2020 general disbursement and 2017 to 2020 payroll checks. This review includes communication with Finance and departments that originally issued the checks to ensure an accurate escheatment submission.

2022-007 Failure to Close Out Prior Year Grant Activity Increases Risk of Reporting Errors

Finding & Recommendation: You state that your review of the seven departments with the largest accounts receivable and advance balances on the fund schedule identified \$66.7 million in accounts receivable and \$88.5 million in advances for grants that had no current year activity and the grant award date expired three or more years ago, ranging from fiscal years 1999 to 2019. You recommend that Finance Office management instruct Finance Office accountants to complete the necessary adjustments to close out inactive grants in the Grants Revenue Fund and reinforce SAP No. G 1-1 requirements with both city departments and GAAU. You also state that management should remind city departments of the requirements to notify GAAU of completed grants and submit the grants' final reports to GAAU. You also recommend that GAAU monitor grant activity in FAMIS to identify and close out inactive grants in accordance with SAP No. G 1-1 requirements.

Response: We agree with the finding. GAAU will continue to reinforce SAP No. G-1-1 requirements with city departments. We will continue to request city departments to provide final reports and Statements of Account Balances as prescribed in the SAP. GAAU will continue to send multiple follow-up reminders to departments to close out their grants in compliance with SAP G-1-1 Grant Closeout.

2022-008 Lack of a Comprehensive Capital Asset System Hampered Reporting Process

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

Response: We agree that the Office of the Director of Finance needs to implement a comprehensive capital asset management system and to eliminate the existing cumbersome process. This condition is expected to be resolved with the OPAL project implementation.

2022-008 Failure to Inventory Real Property Assets Increases Risk of Inaccurate Accounting Records

Finding & Recommendation: You repeat your finding that with the exception of PWD and DOA, the physical existence and condition of real property assets across the City have not been recently inventoried. You mention that Finance Office management has not yet completed the reconciliation of its fixed asset ledger with the Integrated Workplace Asset Management System (IWAMS) implemented by the Department of Public Property. You highlight that continued failure to perform a physical inventory increases the risk that the City's recorded real property assets could be inaccurate and/or incomplete. You recommend that Finance Office management work with OIT to complete the reconciliation of the IWAMS database to the City's fixed asset records to identify any discrepancies and ensure the completion and accuracy of the city's records, work with the Procurement Department and Department of Public Property to periodically take physical inventories of all real property assets and develop a plain language report on the condition of capital assets at least once every 3 years.

Response: Finance management will continue to meet with the GIS unit concerning our objective of reconciling the fixed asset ledger to IWAMS.

2022-009 SAPs Require Updating to Ensure Accurate and Consistent Application of Accounting Rules and Regulations

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

Response: Thank you for acknowledging the continued efforts being made by Finance to update SAPs across the city, including onboarding consultant support to prioritize working meetings with Control Owners. We agree with your recommendation to continue the update of the city's SAPs and where applicable to identify SAPs as obsolete. We believe that the increased Citywide engagement with control and process owners is effective, and we will continue to have working meetings with stakeholders to facilitate the update of SAPs. Management will continue to prioritize this initiative.

2022-010 Accounts Payable Reporting Still Needs Improvement

Finding & Recommendation: You state that although the current audit noted considerable improvement, you again found errors in reported accounts payable, which consisted of a \$9.6 million understatement in the Water Fund and a \$3.1 million overstatement in the Grants Revenue Fund for a net understatement of \$6.5 million. You recommend that when reviewing subsequent years' payment vouchers, Finance Office accountants identify payment vouchers for which the vendor's services span multiple fiscal years and ensure that the accounts payable are accurately recorded for them and reflect only amounts for the reporting period.

Response: Thank you for acknowledging our efforts to improve our Accounts Payable reporting. While we acknowledge that there was an immaterial misstatement of expenditures and accounts payable, we believe our review process of accounts payable is adequately designed to detect any potential material misstatements. We will review our procedures with the accountants and provide training to ensure that the current control process operates effectively.

2022-011 While Improvement was Noted in Departments' Biweekly Payroll Approvals Process, Updates to Authorized Signers Need Strengthening

Finding & Recommendation: You note that the biweekly payroll approval process continued to improve and that your testing of all 26 pay periods of fiscal year 2022 for 49 city departments disclosed 80 instances (6.23 percent) where departments did not submit the required two approvals by the payroll close deadline. You state that while all 80 approvals were timely submitted, none of the approvals had the executive-level approver listed on the department's signature authorization card. You also state that the Central Payroll Unit indicated that after the initial process to set up the OnePhilly electronic payroll approvers was performed, reminding the departments to update the signature authorization cards for changes to executive-level approvers and verifying that update was not a priority. You recommend that the Central Payroll Unit establish procedures to ensure departments promptly update signature authorization cards to agree with requested changes to the authorized OnePhilly executive level approvers. You also recommend that instructions to complete these updates should be added to the OnePhilly electronic payroll approval training guides and Authorized Signer Update Form.

Response: Thank you for highlighting that the biweekly payroll approval process continues to improve with the electronic payroll approval in place. Thank you for also highlighting that 42 of 49 departments were compliant and only 7 departments were non-compliant, and the non-compliance was only related to their signature card not being updated. Central payroll has greatly improved the bi-weekly payroll approval process and it is fitting to underline that all 100% approvals observed in your testing were submitted in a timely manner. Central Finance disagrees with the statement that

reminding the departments to update the signature authorization cards for changes to executive-level approvers and verifying that update was not a priority. The weekly payroll close memo continues to be proactively emailed to departments during each pay period and there is an entire section reminding and instructing departments on updating their authorized signers. Central Payroll will continue to prioritize the bi-weekly payroll approval process.

2022-012 City's Accounting System Not Utilized for Posting Enterprise Funds' Year-End Journal Entries

Finding & Recommendation: You repeat your finding that accountants in the Finance Office, the PWD, and the DOA are still not utilizing the full accrual Water and Aviation Funds established in FAMIS to post year-end adjusting journal entries to prepare the financial statements. You maintain your recommendation that as part of the OPAL ERP project, Finance Office management should include in the new accounting system a process for the PWD and DOA to utilize for recording their year-end accrual adjustments. You also recommended that since the FAMIS full accrual balances are utilized by the DOA in its compilation, that Finance Office accountants bring the balances in the FAMIS full accrual Water and Aviation funds up to date through fiscal year 2022 for the upcoming fiscal year 2023 financial statement preparation process and then continue to do so each subsequent year until FAMIS is replaced.

Response: PWD and DOA will be required to utilize the new accounting system for recording their year-end full accrual adjustments. For FY23 we have posted entries to bring the balances in the FAMIS full accrual Water and Aviation funds up to date through fiscal year 2022. This will allow DOA to continue to use the FAMIS balances as their opening balances, while at the same time eliminating the need for cumbersome entries to make the balances current. Furthermore, we believe that recording the entries is duplicative of work already being completed and documented in the departments' compilations. We believe that not posting these entries into FAMIS does not affect the accuracy of our financial statements.

2022-013 Certain Other General IT Controls for OIT Need Improvement

Finding & Recommendation: You noted the following other deficiencies with lesser impact: OIT had not performed a disaster recovery test during the audit period tested (FY22), and their disaster recovery plan contained no dates of its last review and management approval; OIT's Change Management Standard Operating Procedure (SOP) still did not specifically address details of the Change Advisory Board (CAB) approval process and documentation standards for end-user testing. You recommend that OIT management perform disaster recovery testing and review the Enterprise Management Disaster Recovery Plan at least annually. You also recommend that OIT management update its Change Management SOP to include (1) documentation standards for end-user testing and (2) information relating to how approvals for all change types should be documented in the service ticket.

Response: In response to this audit, OIT has provided the Disaster Recovery Plan updated in 2023. OIT will be publishing the Contingency Planning Policy and documented procedures with an estimated completion date of Q1 FY24, followed by implementation and process improvements. This will include disaster recovery control testing requirements. Further, OIT has drafted an updated Change Management SOP which is expected to be published by Q1 FY24 and a template to record detailed testing plans and results is currently in development to address this open issue.

2022-014 Disaster Recovery Testing Had Not Been Performed For PRISM

Finding & Recommendation: You note that disaster recovery testing had not been performed on the PRISM system and a full failover test for the system was expected to be conducted in the first quarter of calendar 2023. You recommend that OIT management perform a full failover disaster recovery test that specifically addresses PRISM at least annually, and the results of the testing be documented and retained for review and audit.

Response: The Revenue Department and OIT have conducted partial DR tests, including critical testing areas such as the network failover to the alternate data center. However, they are still working with FAST (the vendor who is

hosting this solution) on the best strategies to complete a full DR test. This is expected to be completed during FY24 and will be conducted at least annually thereafter.

2022-015 OnePhilly Physical Security Policy Was Not Recently Reviewed

Finding & Recommendation: You state that the Physical Security Policy and Physical Access Control documents for OnePhilly for the third-party vendor that manages the OnePhilly System's daily operations were last reviewed and updated on April 28, 2021. You recommend that the OnePhilly management request the assistance of its third-party vendor in obtaining the current Physical Security Policy and Physical Access Control documents.

Response: OnePhilly has obtained the most recent Physical Security Policy and Physical Access Control documents. The Physical Access Control Procedure was updated on April 06, 2022, and was provided to the auditors during the audit. The Physical Security Policy and Physical Access Control Guidelines were last updated in November 2022. These were also provided to the auditors. The OnePhilly team will ensure that there are no delays in obtaining technical vendor documentation in the future.

2022-016 Certain IT General Controls for PHLContracts Require Strengthening

Finding & Recommendation: You noted the following deficiencies in PHLContracts' IT general controls: The disaster recovery and contingency plans showed no evidence of recent review; and there was no change management policy maintained for PHLContracts. You recommend that the Procurement Department management request the assistance of their third-party vendor in reviewing and updating the disaster recovery and contingency plan documents, and that management ensures that the vendor provides evidence that the application's disaster recovery plan is successfully tested at least annually. You also recommend that the Procurement Department management work with the third-party vendor to document and implement a change management policy to ensure that all required steps for application changes are clearly defined and understood by all related parties.

Response: The Procurement Department management is working with the PHLContracts third-party vendor to ensure that the disaster recovery and contingency plan documents are updated and reviewed and to develop a change management policy for managing change requests for the PHLContracts application.

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

Sincerely,



Rob Dubow
Director of Finance

Enclosures

cc: Christina Hernandez, Mayor's Chief of Staff
Josefine Arevalo, Accounting Director, Office of the Director of Finance
Tracy Borda, Chief Financial Officer, Division of Aviation
Frank Breslin, Revenue Commissioner & Chief Collections Officer
Stephanie Tipton, Chief Administrative Officer
Kathleen Duggan, Audit Director, City Controller's Office

Charles Edacheril, Post Audit Deputy Controller, City Controller's
Office Catherine Lamb, First Deputy Director of Finance
Mervisa Johnson, Director of Compliance and Internal Controls
Jacqueline Dunn, City Treasurer
Sarah Stevenson, Chief Integrity Officer
Lawrence Yangalay, Acting Deputy Commissioner of Finance, Water Department
Tonya Brinkley, OnePhilly Director
Valerie D Hayes, Payroll Director
Mark Wheeler, Chief Information Officer
Kate McGlinchey, Chief of Staff, Office of the Director of Finance

AUDITOR'S COMMENTS ON AGENCY RESPONSE

AUDITOR'S COMMENTS ON AGENCY RESPONSE

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

- Staff Shortages Along with the Lack of a Comprehensive Financial Reporting System Have Contributed to Significant Financial Statement Errors
- Late Receipt of Financial Reports for Component Units and Fairmount Park Trust Funds Still Delayed Preparation and Audit of ACFR
- Untimely Preparation of the SEFA Resulted in the Late Submission of the Single Audit Reporting Package to the Federal Audit Clearinghouse
- OnePhilly System's Access Controls and Segregation of Duties Need Improvement
- Treasurer's Bank Reconciliation Procedures Still Require Improvement
- While Improvement Was Noted in Departments' Biweekly Payrolls Approvals Process, Updates to Authorized Signers Need Strengthening
- City's Accounting System Not Utilized for Posting Enterprise Funds' Year-End Journal Entries
- OnePhilly Physical Security Policy Was Not Recently Reviewed

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

Regarding management's statements on the finding concerning staff shortages and the lack of a comprehensive financial reporting system have contributed to significant financial statement errors, we have the following comments:

- In its response on page 35, management states, "The team will work to bolster our year end journal process to avoid any errors similar to the DBHIDS journal entry (highlighted by the Controller's Office) which resulted in a \$19M net advanced revenue receivable overstatement that was corrected in the published version of the ACFR."

What management refers to as a \$19 million net advanced revenue receivable overstatement consisted of the following material financial statement account errors in the Grants Revenue Fund: a \$512.5 million overstatement of due from other governmental units; a \$512.5 million overstatement of deferred inflows of resources, a \$493.8 million overstatement of unearned revenue, and a \$493.8 million understatement of revenue from other governments.

- In its response on page 36, management states, “As always, Accounting will continue to critique the errors in the drafts sent to the Controller’s Office and the adjustments resulting from the most recent ACFR audit with the entire accounting staff as a learning tool to produce improved financial statements going forward.”

We disagree with management’s use of the term “drafts” when describing the financial statements submitted to us for audit. Effective internal control requires that, before the Finance Office submits the ACFR to us for audit, accounting management should perform a review of those financial statements for accuracy and completeness. The \$1.1 billion of ACFR errors cited on page 1 of the report occurred because the city’s controls over the financial reporting process failed to prevent or detect and timely correct the misstatements. The errors were identified after the Finance Office should have already completed its financial statement review procedures and finalized the statements.

Late Receipt of Financial Reports for Component Units and Fairmount Park Trust Funds Still Delayed Preparation and Audit of ACFR

Regarding management’s statements on the late receipt of component units’ financial reports, we have the following comments:

- In its response on page 37, management states, “As a result of our communication efforts, the total number of late submissions from Component Units decreased to four from five in the previous year.”

We disagree with management’s assertion. In the fiscal year 2021 Report on Internal Control and On Compliance and Other Matters, page 4, it was disclosed that four component units did not submit their final reports by the due dates requested by Finance Office accountants. In the current year’s report on page 5, it was again noted that four component units did not submit their final reports by the requested due dates.

- In its response on page 37, management states the following with regard to the late receipt of the School District of Philadelphia’s (SDP’s) financial report: “The SDP was delayed due to their audit being delayed.”

According to the SDP’s management, the resignation of several key individuals who had been involved in the SDP’s financial statement preparation process caused delays in the SDP’s ability to complete its financial report.

Untimely Preparation of the SEFA Resulted in the Late Submission of the Single Audit Reporting Package to the Federal Audit Clearinghouse

Regarding the untimely preparation of the SEFA which has resulted in the late submission of the Single Audit reporting package, in its response on page 37, management states, “While Finance acknowledges GAAU needs to continue all efforts to improve the SEFA submission timeline, and the Controller’s Office needs to ensure its audits are completed in a timelier manner, Finance also requests that the Controller’s Office continue to

work with Grants Accounting and departments to determine an appropriate timeline for the Single Audit to ensure compliance with federal regulations.”

The Controller’s Office has always worked with the Finance Office to provide a reasonable timeline to complete the Single Audit. However, the key obstacle to submitting the Single Audit reporting package (SAR) to the Federal Audit Clearinghouse (FAC) on time is the Finance Office’s untimely preparation and submission of a complete, accurate and final SEFA for audit and the inaccurate and untimely responses from grantor departments. Additionally, the city is also considered to be a high-risk auditee requiring increased audit coverage of federal programs. As stated on page 6 of the report, for the fiscal year ending June 30, 2022, GAAU did not provide the preliminary SEFA for audit until March 8, 2023, which was only 23 days prior to the required deadline of March 31st to submit the SAR. Clearly, this is not a reasonable timeframe to plan and perform the audit, issue an opinion, and then allow the city to complete and submit the SAR to the FAC by the required due date.

OnePhilly System’s Access Controls and Segregation of Duties Need Improvement

Regarding management’s statements on the OnePhilly System’s access controls and segregation of duties (SoD) finding, we have the following comments:

- In its response on pages 38 and 39, management states, “We provided evidence during the audit of the various types of UAR (user access reviews) outcomes, which demonstrated an assessment of specific user roles and security permissions to identify and remove SoD breakdowns, identify any exceptions, and obtain management signoff. We also provided evidence that the OnePhilly SoD Policy and supporting role-based SoD matrix were reviewed and approved on an annual basis, but for the audit period in question, the SoD matrix was updated but no changes were needed upon review of the OnePhilly SoD policy, and therefore, no signoff was completed.”

The documentation that the OnePhilly team provided our consultant²⁴ for sampled departments’ UARs did not clearly evidence that specific user roles and permissions were considered and evaluated to identify and remove SoD breakdowns. Also, the results provided by the OnePhilly team did not evidence management signoff. Additionally, as part of audit fieldwork in January 2023, the OnePhilly team provided our consultant with a copy of the Segregation of Duties Policy (SoD) version 1.0, which was created and last updated on June 29, 2021, and the SoD matrix version 1.5 dated February 16, 2022. As noted on pages 11 and 12 of the report, both the SoD Policy and SoD matrix received during audit fieldwork had not been reviewed and approved by management on an annual basis.

- In its response on page 39, management states, “Finally, we disagree with the Controller’s finding regarding non-IT personnel: The OnePhilly Team has IT personnel that are embedded in the team and are not a part of the City’s OIT team. The Controller’s Office and its contracted auditing firm suggested that OIT personnel can only exist on the city’s OIT team, but that is not the case for OnePhilly. The demanding needs of the application require a dedicated IT team, and that dedicated team exists within the OnePhilly Team.”

²⁴ We engaged an independent accounting firm to conduct an assessment of the OnePhilly system’s IT general controls (our consultant).

Management's response does not address our recommendation. As stated on page 12 of the report, management should review and re-evaluate domain administrator and system administrator access to the application. Privileged access should be restricted to IT personnel only. If it is necessary to provide privileged access to non-IT personnel, then management should monitor and review the activities of these employees to ensure they are authorized and appropriate. Also, domain and system administrator access should be segregated for the IT developers where possible to maintain proper segregation of duties responsibilities. As noted on page 11 of the report, duties were not adequately segregated in several instances, with domain administrator and system administrator access maintained by nine non-IT personnel and at least two IT developers who were city contractors.

Treasurer's Bank Reconciliation Procedures Still Require Improvement

Regarding the finding that the Treasurer's bank reconciliation procedures still require improvement, in its response on page 39, management states the following: "From FY21 to FY22, we reduced the number of bank accounts with long outstanding issues by 36 percent and the dollar value of long outstanding variances across all accounts through thorough and consistent research."

We disagree with management's assertion that the number of bank accounts with long outstanding issues decreased by 36 percent from fiscal year 2021 to fiscal year 2022. The fiscal year 2021 Report on Internal Control and On Compliance and Other Matters, on page 11, disclosed that 50 bank reconciliations had long outstanding reconciling items. The current year report, on page 13, noted that 36 reconciliations had long outstanding reconciling items, which represents a decrease of 28 percent from the prior year.

While Improvement Was Noted in Departments' Biweekly Payrolls Approvals Process, Updates to Authorized Signers Need Strengthening

In its response on pages 41 and 42, management states the following: "Central Finance disagrees with the statement that reminding the departments to update the signature authorization cards for changes to executive-level approvers and verifying that update was not a priority. The weekly payroll close memo continues to be proactively emailed to departments during each pay period and there is an entire section reminding and instructing departments on updating their authorized signers."

We submitted multiple requests to the management of the Finance Office's Central Payroll Unit asking for any documentation sent to departments reminding them to properly and timely update the signature authorization cards. Management did not provide a response to our requests.

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

Regarding the finding that the city's accounting system was not utilized for posting enterprise funds' year-end journal entries, in its response on page 42, management states, "Furthermore, we believe that recording the entries is duplicative of work already being completed and documented in the departments' compilations. We believe that not posting these entries into FAMIS does not affect the accuracy of our financial statements."

We disagree with management's assertion that entering Water and Aviation Fund modified to full accrual statement adjusting entries into FAMIS is duplicative. FAMIS is the official accounting system of record, and the compilation data should be considered supporting documentation for properly and timely completed FAMIS entries. Bypassing FAMIS and entering this data directly from the compilations into the city's ACFR weakens the accounting and audit trail by excluding this information from FAMIS inquiry screens and reports intended to support the complete, accurate, and efficient preparation of the ACFR.

OnePhilly Physical Security Policy Was Not Recently Reviewed

In its response on page 43, management states the following regarding the OnePhilly Physical Security Policy not being recently reviewed: "OnePhilly has obtained the most recent Physical Security Policy and Physical Access Control documents. The Physical Access Control Procedure was updated on April 06, 2022, and was provided to the auditors during the audit. The Physical Security Policy and Physical Access Control Guidelines were last updated in November 2022. These were also provided to the auditors."

During audit fieldwork performed by our consultant in January 2023, it was noted that, for the third-party vendor who manages the OnePhilly system's daily operations, its Physical Security Policy and the Physical Access Control Guideline were last updated and reviewed on April 28, 2021. On May 10, 2023, after audit fieldwork had been completed and the finding already presented, our consultant received the Physical Access Control Procedure (not part of the original audit finding) from the OnePhilly deputy finance director. In addition, on May 17, 2023, our consultant received copies of the most recent Physical Security Policy and the Physical Access Control Guideline, both updated as of November 4, 2022, from the OnePhilly deputy finance director.