



City of Philadelphia
Office of the City Controller

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Contact: [Jolene Nieves Byzon](#), 215-300-1071

**Office of the City Controller Releases Departmental Audit;
Finds Serious Issues with Sick Leave and Overtime**

City did not properly authorize overtime in 43% of instances tested and paid \$390,000 in sick leave benefits that employees were not eligible for during FY2019.

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

“As we did last year, our office found that City departments have failed to properly enforce policies around sick leave usage and overtime approval and authorization,” said City Controller Rebecca Rhynhart. “As the City faces serious financial challenges right now, it’s more important than ever that the City prioritize fixing these problems so as to not waste taxpayer dollars. While these findings are not new – many have been reported for years without remedy – this is a critical opportunity for the City to better manage its operations and finances.”

Key findings from the fiscal year 2019 (FY19) audit include:

- **Sick Leave Policy Enforcement:** Fifteen departments did not enforce the City’s sick leave policy properly, including six departments – Streets, Public Health, Behavioral Health, Licenses and Inspections, Aviation and the Free Library of Philadelphia – that did not enforce the policy for any of the employees tested during the audit. Overall, the lack of sick leave policy enforcement resulted in the City paying employees about \$390,000 in sick benefits for which they were not eligible to be paid. For example, Fire Department management did not properly enforce the sick leave policy for 90 percent of the employees tested, resulting in employees receiving more than \$145,000 in sick leave benefits for which they were not eligible. In addition to the direct costs of not enforcing the sick leave policy, excessive sick leave usage may also drive up overtime, especially in departments with mandatory staffing levels.
- **Improper Overtime Authorization:** Of the overtime tested, totaling almost \$1.7 million, 43% of instances tested did not follow the City’s overtime authorization procedures. Properly authorized overtime requires management to approve the number of hours and reason supporting the overtime request before it is incurred. Of the nine departments tested, seven had improper overtime authorization findings. For example, in the Streets Department, overtime was not properly authorized for any of the

instances selected for testing. This has been a finding for eight years without remediation. Additionally, overtime was paid to Water Department employees without proper approval in 94 percent of instances tested. Employees in the Police Department did not receive proper overtime authorization in 56 percent of instances tested. Allowing employees to work overtime without proper approvals may result in unnecessary payroll expenses by the City.

For the second year in a row, the Departmental Audit found that L&I did not reconcile housing inspection license renewal revenue, totaling \$16.4 million in FY19, to the City's accounting system daily, as required. Failure to reconcile cash receipts to the City's accounting system daily increases the risk of misstatement of revenues and creates an opportunity for misappropriation of funds. Though L&I stated in the FY18 Departmental Audit that they would address this issue in FY19, it remains unresolved.

Controller Rhyhart added, "Sick leave and overtime testing was conducted before the new payroll system OnePhilly was implemented. It's important to point out that our audit of the OnePhilly system released in June 2020 showed decreased functionality compared with the legacy system related to tracking and enforcing sick leave, so these issues related to sick leave abuse are likely to get worse if not immediately addressed. I urge departments to seek alternative methods, outside of OnePhilly, to resolve these findings and reduce sick leave enforcement and unauthorized overtime issues and encourage the Mayor and his administration to prioritize addressing the shortcomings of the OnePhilly system."

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