

**Testimony of
Hon. Alan Butkovitz
Controller
City of Philadelphia
Before the City Council Committee of the Whole on the
City Controller's FY 2015 Operating Budget
April 8, 2014**

Good morning Mr. President and Members of City Council. I am City Controller Alan Butkovitz and I am here today to testify on the City Controller's Fiscal Year 2015 Operating Budget.

I am joined today by Deputy City Controllers Bill Rubin, Gerry Micciulla, and John Thomas, as well as our Administrative Services Director, Andrea Rose.

The Mayor's proposed FY2015 Operating Budget for the City Controller's Office includes a General Fund appropriation of \$7,696,397.

I would like to publicly thank all my employees who continue to provide quality needed service to the citizens of Philadelphia. I cannot say enough about the hard work, professionalism and dedication they deliver every day. They continue to sacrifice and do their part to help our City meet our current financial challenges. They are to be commended and congratulated.

In spite of a decrease in 26 staff positions since 2008, my office continues to issue reports that not only help the City save money but also to improve the quality of life in Philadelphia.

My Post Audit Unit audited all 43 City departments included in our Annual Auditor's Report, conducted six performance/special audits, four reports on internal controls related to four opinion audits, and three information/technology reviews as well as issued two Opinions on the City's Five Year Forecasted Statements. In those reports, we made 203 new recommendations to safeguard City and school district assets, enhance financial management, strengthen internal accounting controls and improve economies and efficiencies.

In all, these audit reports identified financial reporting errors, compliance deficiencies, cost reductions, and increased revenues totaling more than **\$443,875,000**.

My Post Audit unit was recently awarded the 2013 Gold Knighton Award, which recognizes the best performance audits in North America, by the Association of Local Government Auditors. Our Office was recognized with this top national award for our audit of the Provisional Ballots Cast in the City of Philadelphia's 2012 Presidential Election.

Our objective was to determine the reasons for the widespread use of provisional ballots during the election. We found errors occurred because of poll worker mistakes or errors arising in the creation of poll books.

This recognition of the highest rated performance audit of any major city in the nation is an outstanding achievement for the Controller's Office and the Citizens of Philadelphia.

Our Pre-audit Division provides oversight of the City's payment and purchasing processes. Pre-audit monitors, reviews and approves or disapproves all requisitions for payment of City funds, and responds to daily requests for information regarding vendor payments. This division processed more than 300,000 payment vouchers representing more than \$4.8 billion in expenditures.

Based on recommendations from Pre-audit, the Procurement Department implemented changes which strengthened its controls over the process for receiving competitive bids. The recommended changes included the following: Establishing a master record for all bid receipts; and reconciling the bids on-hand to the master record before Bid Openings, which has decreased Procurement's risk of misplacing bids.

The Pre-audit Division also conducted several important investigations and audits including follow-up audits on the City's recreation facilities and the Bridge Maintenance Unit's processes and procedures for the approximately 343 City-owned bridges, which carry hundreds of thousands of motorists each day.

Most recently our pre-audit division has uncovered severe rutting and a pothole in a taxiway at the airport. I have asked the City Solicitor to take action against the contractor to rectify this situation.

My Fraud & Special Investigations unit working in conjunction with Community Affairs actively worked over 50 cases related to allegations of employee misconduct or fraud and more than 75 citizens complaints related to government services. A few of the more memorable cases are as follows:

- In a current joint effort with the School District, Investigators from the Controller's Office and the School District's OIG, we were able to identify public employees taking scrap metal and other materials from their work place and selling it to scrap recyclers for personal gain;
- An investigation concerning an allegation that food vendors were operating unsafe and illegal sidewalk grills resulted in prompt enforcement actions by the Departments of Health & Licensing and Inspections;
- After a tragic drowning death of a child in a City public pool, the office immediately mobilized and inspected every pool within days of the tragedy. This office plans to inspect the pools again early this summer, monitor the operations and work with Parks and Recreation's staff to minimize the occurrence of future tragedies;

Our reinvigorated Policy Department added a new dimension to our Office's work in FY14. Continuing our success from last year in uncovering flaws in the City's Actual Value Initiative, we released three major policy reports this fiscal year. These included the following:

- Recommendations to Improve Real Estate Tax Collections – provided opportunities to improve collectability and our balance sheet.
- Anchor Procurement Initiative – an innovative approach to economic development through our hospitals and universities that could create thousands of new jobs.
- Analysis of the Keystone Opportunity Zone Program – the City awarded \$385 million in tax credits to create fewer than 4,000 jobs; this report also revealed that the City has provided poor record keeping of the KOZ program.

All of these reports were models of data-driven policy analysis that we believe can help our City make better decisions on how to allocate scarce resources and adopt policies that show real results for our local economy.

We have accomplished all this despite being short 26 positions since I took office a little over eight years ago.

Although, I am proud of all the accomplishments which I have mentioned, the loss of these positions has impacted our ability to conduct more performance and special audits and has limited our ability to conduct ad hoc requests for contract and other audits from City departments that could result in cost recoveries for the City.

To address the shortfall in staff, I have hired two auditor trainees and will be hiring 10 more from the auditor trainee list that is being created now.

In addition, I have spoken to the Budget Director and have been assured we will be able to add five additional employees within this fiscal year to assist with our auditing divisions. Filling these positions will bring our Office to a more complete staffing level. These additions will also allow our office to use fewer outside contractors, while giving us more flexibility to react to financial issues as they arise.

My goal for the current year is to continue identifying as much waste, fraud and inefficiencies in City government as possible in order to save taxpayers' money.

My department is drafting an RFP for a paperless audit engagement workflow system, which will allow us to save not only resources like paper, and ink, but it will allow our team to work much more efficiently as they prepare the required audits.

I will continue working on issues and solutions to make Philadelphia a better place for those who live and work here. And most importantly, I will continue to find more revenues that are owed the City and identify performance and management efficiencies throughout City government – so we can have the added resources needed to fund the programs that provide necessary City services.

I appreciate this opportunity to present testimony and I thank Council President Clarke and the Members of City Council for your cooperation. I look forward to working with you in the coming year.

My staff and I will be happy to answer any questions.