

**TESTIMONY BEFORE THE CITY COUNCIL
COMMITTEE OF THE WHOLE
CONTROLLER'S OFFICE FY2020 OPERATING BUDGET
TUESDAY, APRIL 30, 2019**

Good (morning/afternoon), Council President Clarke and members of City Council. I am City Controller Rebecca Rhynhart. Joining me is Kellan White, First Deputy City Controller. Today, I am pleased to provide testimony on the Controller's Office's Fiscal Year 2020 Operating Budget, proposed at \$9.4 million.

As the independent financial watchdog for the City of Philadelphia, the Office of the City Controller's mission is to promote the effective and efficient operation of Philadelphia government by identifying cost savings, recommending best practices and modernization, and exposing fraud and mismanagement. The office is committed to transparency, accountability and good government.

Since taking office in January 2018, our office has worked diligently to improve the operations of Philadelphia City government using financial audits, performance audits and special investigations. In June 2018, my office released its annual report on internal controls for Fiscal Year 2017. Each year, the Controller's Office reviews the City's internal controls over financial reporting. We look for deficiencies in the city's processes, identifying material weaknesses, significant deficiencies, issues of non-compliance and other conditions. Most notably, we identified material weaknesses in the reconciliation processes for City accounts and in the City's accounting functions. These weaknesses are being examined again in the next internal control report for Fiscal Year 2018, which will be released in early June.

Most recently, we released our annual review of financial controls within departments, called the Departmental Audit, for Fiscal Year 2018. Notably, we found significant issues with overtime authorization/approval and sick leave policy enforcement across many departments. While some departments have done a good job at addressing negative findings from prior years, other departments have had repeat findings for multiple years. My office will be increasing outreach to the Commissioners this year to ensure that they understand the importance of financial controls.

In conjunction with the Departmental Audit, we also released our first exempt employee diversity review. It visualized the breakdown of exempt employees by race/ethnicity across several categories: all exempt employees; all exempt employees with salaries greater than \$90,000; new exempt hires; and new exempt hires with salaries greater than \$90,000; for Fiscal Year 2018. The goal of this review was to provide a baseline understanding of whether the City's exempt workers reflect the diversity of the city they serve and will serve as a point of comparison for next year's deeper dive on departments' hiring practices.

I want to note that the review showed the Controller's Office exempt staff to be 54% minority. When looking at the office overall, our staff is 55% minority and 53% female. While we've made strides to improve diversity among our staff and are committed to following diverse hiring best practices, there is more work to be done. In addition to diversity among our staff, our office is working to increase diversity in our contracts. In Fiscal Year 2017, the year before I took office, vendors contracted by the Controller's Office were only 2% diverse. We raised participation to 17% in Fiscal Year 2018 and to 23% in Fiscal Year 2019. Our goal for Fiscal Year 2020 is 25%.

In addition to recurring audits like the Departmental Audit and Internal Controls reports, the Controller's Office conducts performance audits. My office's first audit on the City's sexual misconduct policies, procedures and payouts was released in July 2018. Our performance audit team is currently in the final stages of its audit of the Office of Behavioral Health and Intellectual Disability Services and the Philadelphia Parking Authority, specifically its on-street parking expenses. We anticipate both of these audits to be released this summer. In early summer, we will begin three audits related to the Office of Information and Technology, including a general controls review of City financial systems maintained by OIT which is required every three years, a general and applications review of OnePhilly which is required as part of the FY19 financial audit and a performance audit requested by City Council related to OIT capital project management and OIT security risks.

In addition to auditing, my office also has a strong investigation unit. The issues that the investigations unit reviews are varied: residency violations; work time fraud, such as conducting personal business during work hours or claiming hours worked that weren't; theft of city money or property; or companies failing to pay wage taxes. Our investigations unit is nimble, but effective. In calendar year 2018, the unit received 220 complaints up from 67 complaints the previous year, including one that led to our report on Animal Care and Control Philly's management of a \$1-million Petco Foundation grant.

Lastly, I want to discuss the work of the Finance, Policy and Data Team. This unit supports the work of this office through research and policy analysis. In April 2018, we released an analysis

of the 10-year Tax Abatement. Earlier this year, we released a review of the accuracy and fairness of the Office of Property Assessments (OPA) annual property assessments of single-family residential properties since tax year 2014. Our findings, like those in City Council's report, show significant shortcomings from the OPA and in the assessments it produces, including inaccurate assessments in many neighborhoods and a lack of transparency about its data, methodology and processes. The unit also supports my work as a Pension Board trustee. In February, we released a report on the state of the pension fund, finding that while the Pension Board has made important improvements to support the health of the fund, including increased funding and implementing a stacked hybrid pension plan, the rate of return is still too optimistic.

As City Controller, I am committed to transparency and making data more accessible to the public. Over the last year my office has published various data releases, from information on the city's cash position to revenue and expenditure data for the City's beverage tax. These data sets are updated quarterly. We've also released information about the Controller's office spending amounts, categories, and vendors for since January 1, 2018. We also encourage the public to reach out to our office to tell us about the data they most want to see.

It is my goal that the Controller's Office is seen as a resource, providing valuable information, data and audits that help move the city forward. This concludes my testimony. I am happy to answer any questions that you may have at this time.