

PERFORMANCE AUDIT REPORT

Philadelphia Parking Authority

Employment Policies and Procedures

December 2017



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General

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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

November 14, 2017

Mr. Joseph T. Ashdale
Board Chairman
Philadelphia Parking Authority
701 Market Street
Suite 5400
Philadelphia, PA 19106

Dear Chairman Ashdale:

This report contains the results of the Department of the Auditor General's performance audit of the Philadelphia Parking Authority (PPA) related to evaluating the adherence to and effectiveness of PPA's rules and procedures. The audit covered the period July 1, 2014, through April 30, 2017, unless otherwise indicated, with updates through the report date.

This audit was conducted under the authority of Sections 402 and 403 of The Fiscal Code, 72 P.S. §§ 402-403, and in accordance with applicable generally accepted government auditing standards, as issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Our audit objective was to determine the adherence to and the effectiveness of PPA's employment policies and procedures, including policies and procedures related to prohibiting sexual harassment and discrimination in the workplace.

This report presents six findings and offers 73 recommendations to PPA management or its Board to create an ethical and productive organizational culture and to improve PPA's management controls and operations. Specifically, we found that the PPA Board failed to establish an ethical culture within the organization and a leadership team with integrity that upholds its fiduciary responsibility to effectively and efficiently operate the PPA and to be accountable to the citizens it serves. The Board failed to oversee the activities of the former

Executive Director. This lack of oversight allowed the former Executive Director to not only operate the PPA inappropriately, but to also take advantage of his position for his personal benefit.

We found that the former Executive Director violated PPA Policy and manipulated his leave records for his own personal gain in possible violation of the Public Official and Employee Ethics Act. As a result, PPA overpaid the former Executive Director more than \$2,000 for his unused leave balances. Additionally, the former Executive Director manipulated senior management leave records for their personal benefit in possible violation of the Public Official and Employee Ethics Act.

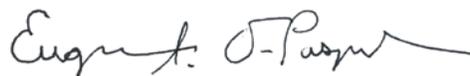
Further, we found that PPA's lack of Board oversight, outdated and ineffective employment policies, and a lack of training contributed to sexual harassment allegations against the former Executive Director not being adequately addressed.

Finally, we found that PPA's hiring practices show a closed hiring process totally controlled by the former Executive Director. Additionally, lack of adequate policies, procedures, and supervisory oversight has led to ineffective due diligence in screening potential new employees.

PPA agrees with or will consider all the recommendations contained in the report. According to PPA, many of the recommendations have been implemented or will be implemented in the near future. We hope that PPA develops sufficient management controls and its Board properly oversees its Executive Director to allow it to function in a manner that is expected of all government entities.

In closing, I want to thank PPA for its cooperation and assistance during the audit. We will follow up at the appropriate time to determine whether and to what extent all recommendations have been implemented.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke at the end.

Eugene A. DePasquale
Auditor General

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Executive Summary

The Philadelphia Parking Authority (PPA) is an integral part of the City of Philadelphia's efforts to provide an efficient, well-organized transportation system that serves the needs of the public and encourages economic development. As such, its responsibilities range from managing parking and related traffic management programs on the streets of Philadelphia, to building and operating parking lots and garages. Currently, the PPA is governed by a Board of Directors (Board) consisting of six members appointed by the Governor of Pennsylvania. The Board employs an Executive Director to lead PPA's operations.

Our performance audit had one objective which was to determine the adherence to and the effectiveness of PPA's employment policies and procedures, including policies and procedures related to prohibiting sexual harassment and discrimination in the workplace. This focus stemmed from the publicized occurrences of alleged sexual harassment at the PPA by the former Executive Director, which culminated in his resignation on September 28, 2016.

This report presents six findings and offers 73 recommendations to PPA management or its Board to create an ethical and productive organizational culture and to improve PPA's management controls and operations. PPA agrees with or will consider all the recommendations contained in the report.

Finding 1 – The PPA Board has failed to establish an ethical culture within the organization and a leadership team with integrity that upholds its fiduciary responsibility to effectively and efficiently operate the PPA and to be accountable to the citizens it serves.

The focus of our audit predominantly included activity that occurred during the tenure of the former Executive Director, who resigned on September 28, 2016.

We found that the Board failed to oversee or monitor the activities of the former Executive Director as required by the special provisions for Cities of the First Class in the Parking Authority Act (53 Pa.C.S. § 5508) and in accordance with the PPA's bylaws. As a result, the former Executive Director took advantage of his position's authority and weaknesses in management controls for his personal benefit, as described in other findings contained in this report.

Additionally, we found that the Human Resources (HR) Committee, established by the Board in 2015 to improve its oversight of the Executive Director, who at the time conceded his involvement in a sexual harassment complaint filed by a PPA employee in June 2015. We found that the HR Committee did not adequately perform its functions with respect to evaluating the Executive Director's performance and updating PPA's Employee Manual. We also noted that the HR Committee performed no other functions related to supervising the activities of the

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former Executive Director, including reviewing or approving time and attendance records or monitoring leave balances. Further, the HR Committee only approved employee actions such as hiring, promotion, demotion, discharge, transfer or salary change for certain non-represented employees in salary range 17 or higher and allowed the remainder of the hiring to the sole discretion of the former Executive Director. Therefore, although the Board reacted to the sexual harassment complaint against the former Executive Director in a manner that appeared to provide some oversight through the creation of the HR Committee, in actuality, no significant changes occurred as noted throughout the report's findings regarding lack of ongoing oversight.

Finally, we analyzed salary increases for 31 senior-level management employees and found that 16 of them received salary increases of more than 20% over a 28-month period, which appears to be excessive.

We offer 12 recommendations to rectify the deficiencies identified in this finding.

Finding 2 – The PPA Board's failure to effectively monitor the former Executive Director allowed him to violate PPA Policy and manipulate his leave records for his own personal gain in possible violation of the Public Official and Employee Ethics Act. We found that PPA overpaid the former Executive Director for his unused leave balances.

The former Executive Director used his position to manipulate his compensatory and vacation leave balances, as well as his holiday compensatory time balance for his own personal gain. The manipulation involved the following:

- Raising his comp time leave cap in the leave tracking system beyond the limit set by policy.
- Directing Payroll staff to reinstate his comp time and vacation leave hours in excess of the caps.
- Awarding holiday comp days to himself against PPA policy.

This manipulation along with the Board's lack of oversight allowed the Executive Director to accumulate large balances of compensatory, vacation, and sick leave for which he could have been compensated for at the time of his resignation in September of 2016. Although the PPA reviewed the former Executive Director's leave pay-out request and significantly reduced the amount actually paid from \$400,497.67 to \$227,228.29, we found that PPA still overpaid him by more than \$2,000.

We offer 11 recommendations to the PPA or the Board to correct the deficiencies.

We are referring this matter to the Office of Attorney General for its review to ensure compliance with the Crimes Code and to pursue a course of action as it deems fit. We are also

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referring this matter to the State Ethics Commission for its review to ensure compliance with the Ethics Act and to pursue a course of action as it deems fit.

Finding 3 – The PPA’s Board’s failure to effectively monitor the activities of the former Executive Director allowed him to violate PPA policy and manipulate senior management leave records in possible violation of the Public Official and Employee Ethics Act.

Although PPA prohibits senior-level management from earning compensatory (comp) time except under “extraordinary circumstances,” we found that the former Executive Director determined for himself when he would earn comp time without written justification. This occurred 103 times with 448 comp time hours recorded over a 33-month period. The Executive Director also permitted his highly compensated senior managers to earn compensatory time at will. According to a Deputy Executive Director, whenever he worked at least one hour beyond his normal work day, the former Executive Director would automatically allow him or her to earn comp time regardless of the amount without the Deputy Executive Director needing to request and/or justify the comp time.

As part of our audit, we expanded our leave record testing to determine if the former Executive Director manipulated the leave balances of senior-level management. We selected 6 of 31 senior-level management employees and found similar results to what we found when reviewing the former Executive Director’s leave records, including, but not limited to, the following:

- 2 employees had vacation leave reinstated in excess of the cap set by policy.
- 2 employees had comp time leave caps raised beyond the limit set by policy.
- 4 employees appeared to earn an excessive amount of holiday comp time days beyond what could be earned per the PPA Employee Manual.

We also found that the former Executive Director failed to ensure that two hearing examiners were working their required minimum 13-days per month. We found that the two hearing examiners were not required to use the biometrics (time tracking) system to record when they started and stopped working each day. As a result, we were limited to reviewing door scan reports and a calendar of hearings for a nine-month period for each examiner. We reviewed this evidence for 18 months, and found that this evidence of the hearing examiners working the required 13-days supported only four of those 18 months.

We offer seven recommendations to the PPA or Board to improve controls and correct the deficiencies.

We are referring this matter to the Office of Attorney General for its review regarding the former Executive Director’s actions of adjusting senior management’s leave records to ensure compliance with the Crimes Code and to pursue a course of action as it deems fit. We are also referring this matter to the State Ethics Commission for its review regarding the former

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Executive Director's actions of adjusting senior management's leave records to ensure compliance with the Ethics Act and to pursue a course of action as it deems fit.

Finding 4 – PPA's lack of Board oversight, outdated and ineffective employment policies, and a lack of training contributed to sexual harassment allegations against the former Executive Director not being adequately addressed.

As part of our audit, we interviewed various PPA employees with knowledge related to allegations of sexual harassment against the former Executive Director, evaluated PPA's employment policies and procedures regarding sexual harassment and discrimination, and reviewed Board meeting minutes. Based on our audit procedures, we found the following:

- PPA's existing sexual harassment and discrimination policy lacked guidance and specific, basic statements such as expressing that sexual harassment will not be tolerated in the workplace.
- Employment policies had not been updated since 2007. The policies relating to sexual harassment and discrimination were dated 2006.
- No sexual harassment and discrimination training was conducted from at least 2006 through October 2016.

Subsequent to the former Executive Director's resignation, the PPA Board approved and adopted a revised sexual harassment policy and a discrimination policy. Additionally, beginning in November 2016, PPA began providing training for sexual harassment and diversity to its employees.

We offer 12 recommendations to PPA to further revise the sexual harassment and discrimination policies and ensure that all current and future employees are routinely trained and the training is tracked and records are retained.

Finding 5 – PPA's hiring practices show a closed hiring process totally controlled by the former Executive Director.

Based on our audit procedures, we found that PPA's hiring practices indicate a "closed" hiring process. Specifically, we found the following:

- The former Executive Director personally selected who was interviewed, personally conducted all the interviews, and made all the hiring decisions.
- The former Executive Director created an undocumented informal process of bringing forward the need to fill or create positions within PPA.
- Lack of transparency regarding available entry-level job openings.

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- PPA's Human Resources Department failed to validate prospective employees' references, prior work experience, and education level.

Having a "closed" and secretive hiring process results in not hiring the most qualified candidates for particular job positions. Additionally, this closed process allows individuals to hire relatives (nepotism) or to hire political associates (cronyism) who may or may not be qualified for the positions they are hired, rather than assessing all candidates equally. This process can also result in discriminatory hiring practices (i.e., not providing equal opportunity for employment to all applicants).

We offer nine recommendations to eliminate and prohibit a closed hiring process.

Finding 6 – Lack of adequate policies, procedures, and supervisory oversight has led to ineffective due diligence in screening potential new employees.

We reviewed PPA's human resources (HR) Standard Operating Procedures Manual and found that several hiring procedures being performed were not included in the manual, such as performing background checks and requiring certain individuals hired for certain job classifications to take a written exam. The PPA does not have a standard method for collecting and compiling all policies into one written document/manual. Additionally, all HR policies related to the hiring process are not in writing and approved by the Board. Unwritten or lack of consolidated policies can result in policies not being followed or policies being followed on an inconsistent basis.

As a result, we interviewed the HR Director to gain an understanding of PPA's hiring requirements and documentation that needs to be retained. We selected 60 of 382 employees that were hired between July 1, 2104 and October 31, 2016, and reviewed documentation in their personnel files for compliance with PPA employment procedures as indicated by the HR Director. We found several deficiencies related to pre-employment testing results, such as PPA hiring individuals with criminal records and/or permitting employees to begin working even though their Pennsylvania State Police background check was still pending. We also found several deficiencies related to documents to be retained in the new hires' HR files, such as a lack of signed employee action forms and a lack of signed verification forms, which document that the employee acknowledges that he/she read and understood the PPA Employee Manual.

We also noted that PPA does not require employees to sign job descriptions. As a result, we requested the job descriptions for the 21 positions related to the 60 new hires we tested. Of the 21 potential job descriptions, PPA could not provide 2. With regard to the 19 job descriptions, we found that 10 were not dated and nine were dated. The dates for the nine job descriptions ranged from 1984 through 2014.

We offer 22 recommendations to PPA correct these deficiencies.

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Introduction and Background

In the wake of a sexual harassment scandal and resignation of the former Executive Director of the Philadelphia Parking Authority (PPA) in September 2016, the Department of the Auditor General decided to conduct a performance audit of the PPA to evaluate the adherence to and effectiveness of its rules and procedures. The audit was conducted under the authority of Sections 402 and 403 of The Fiscal Code, 72 P.S. §§ 402 and 403, and in accordance with applicable *Government Auditing Standards* issued by the Comptroller General of the United States. Specifically, our audit objective was to determine the adherence to and the effectiveness of PPA's employment policies and procedures, including policies and procedures related to prohibiting sexual harassment and discrimination in the workplace.

In the sections that follow, we present background information related to the PPA.

Creation of the Philadelphia Parking Authority

Created as a corporate body by now repealed Acts of the General Assembly of June 5, 1947 and May 9, 1949,¹ and organized by an Ordinance of the Philadelphia City Council on January 11, 1950, the PPA was at that time under the direction of a board of five unpaid members appointed by the Philadelphia Mayor. The PPA was created for the purpose of conducting research and maintaining current data leading to efficient operation of off-street parking facilities and to establish a permanent, coordinated system of parking facilities in Philadelphia. The PPA financed its operations through the issuance of bonds.²

Responsibilities added to the PPA since its inception

In October 1974, the PPA and the City of Philadelphia entered into leases and contracts to construct and operate all parking services at the Philadelphia International Airport. Pursuant to the current lease and contract for parking services, the PPA remitted all net parking revenue to the City of Philadelphia, Division of Aviation.³

¹ Former "Parking Authorities Law", 53 P.S. § 341 *et seq* (Act 208 of 1947, as amended). The current act is recodified at 53 Pa.C.S. § 5501 *et seq*. (Act 22 of 2001, as amended).

² <http://www.phila.gov/phils/docs/inventor/graphics/agencies/A172.HTM> (accessed April 21, 2017).

³ The Philadelphia Parking Authority, Financial Statements, Required Supplementary Information, and Other Financial Information for Years Ended March 31, 2015 and 2016 and Independent Auditors' Report, Baker Tilly page i.

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In 1982, an Act of the General Assembly⁴ authorized the City of Philadelphia to assign responsibility for the management of on-street parking to the PPA. In 1983, functions previously performed under City departments were transferred to PPA, including the following:⁵

- Location, installation and maintenance of all parking meters throughout the city.
- Preparation of documentation to modify existing or implement new parking regulations, establishing time limits, loading zones, fire hydrant restrictions, reserved parking for people with disabilities, tow-away zones and residential permit parking.
- Preparation of work orders for parking regulations sign.
- Meter Collections.
- Issuance and processing of parking tickets.
- Towing of motor vehicles.
- Impoundment of motor vehicles.
- Issuance of Loading Zone Permits.
- Administration of the Residential Parking Permit Program.

The booting program was added by City Ordinance in July 1983.⁶ The Communications Unit (radio dispatch center) was also added in 1983 to serve as the support unit responsible for coordinating on-street parking functions.

In 2001, the General Assembly re-codified and significantly amended the “Parking Authorities Law” through Act 22 of 2001.⁷ In 2002, the Pennsylvania General Assembly gave the PPA the power to establish a Red Light Camera Program in the City of Philadelphia. Shortly after, the PPA began equipping intersections with cameras that monitor traffic and automatically photograph vehicles driving into an intersection after the light has turned red.⁸

In July 2004, the PPA assumed responsibility for the regulation and enforcement of taxi cabs and limousines operating in Philadelphia and also assumed direct management of parking at the airport after years of contracting those responsibilities out to private operators.⁹

⁴ Former 53 P.S. §§ 342, 343, and 345. Recodified as amended at 53 Pa.C.S. §§ 5502, 5503, 5505.

⁵ The Philadelphia Parking Authority, Financial Statements, Required Supplementary Information, and Other Financial Information for Years Ended March 31, 2015 and 2016 and Independent Auditors’ Report, Baker Tilly page ii.

⁶ <http://www.philapark.org/about-ppa/> (accessed April 24, 2017). Vehicles with three (3) or more unpaid parking or red light tickets are eligible to be booted after their owners receive a series of notices. Boot crews patrol all public roadways and PPA managed properties in Philadelphia. <http://www.philapark.org/laws-enforcement/> (accessed April 24, 2017).

⁷ 53 Pa.C.S. §§ 5501-5517.

⁸ *Philadelphia Parking Authority Board Directs \$2 Million in Red Light Camera Revenue To Pennsylvania Department of Transportation Motor License Fund*, February 25, 2007, <http://www.philapark.org/red-light-cameras/> (accessed April 24, 2017).

⁹ <http://www.philapark.org/about-ppa/> (accessed April 24, 2017).

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PPA's Mission

As noted above, PPA's responsibilities have grown far beyond only providing off-street parking. The mission of the PPA is to provide the City of Philadelphia with comprehensive parking management services and to support its economic development by:¹⁰

- Contributing to the improvement of traffic flow and public safety.
- Developing and managing an optimal supply of reasonably priced off-street parking.
- Regulating the use of on-street parking.
- Maximizing revenues to the City through the efficient and effective management of PPA activities.

The PPA is an integral part of the city's efforts to provide an efficient, well-organized transportation system that serves the needs of the public and encourages economic development. As such, its responsibilities range from managing parking and related traffic management programs on the streets of Philadelphia to building and operating parking lots and garages.

PPA's Organizational Structure

Board of Directors

The PPA is governed by a Board of Directors. Until 2001, PPA, like all parking authorities throughout the state, was managed by its own governing board whose five members were appointed by the local mayor.¹¹ The legislation leading to Act 22 of 2001,¹² which created a new parking authority law and initiated by a state representative from Philadelphia, changed the authority to appoint members of the Board from the Mayor of Philadelphia to the Governor of Pennsylvania.¹³

Effective June 1, 2006,¹⁴ the board was increased to six members: Chairman, Vice Chairman/Secretary, Assistant Secretary, and three Board Members. The Governor's appointments to the Board are to consist of the following: two at the Governor's discretion; two from a list of at least three nominees prepared and submitted to the Governor by the President

¹⁰ <http://www.phila.gov/phils/docs/inventor/graphics/agencies/A172.htm> (accessed April 24, 2017).

¹¹ See the former "Parking Authorities Law", 53 P.S. § 341 *et seq.* See also *Blount v. Phila. Parking Authority*, 600 Pa. 277, 965 A.2d 226 (2009)

¹² 53 Pa.C.S. §§ 5501-5517.

¹³ 53 Pa.C.S. § 5508.1 (relating to Special provisions for authorities in cities of the first class).

¹⁴ 53 Pa.C.S. § 5508.1(e)(1), <http://www.legis.state.pa.us/WU01/LI/LI/US/HTM/2001/0/0022..HTM?84> (accessed April 24, 2017).

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Pro Tempore of the Senate; and two from a list of at least three nominees prepared and submitted to the Governor by the Speaker of the House of Representatives.

According to the PPA bylaws, it is the responsibility of the Chairman to oversee the affairs of the Board and to sign legal documents, deeds, bonds, and other obligations of the Authority. The Board members are appointed to 10-year staggered terms. The Chairman earns a salary of \$75,000 per year and each Board member earns \$200 per monthly board meeting.¹⁵ Regular Board of Directors meetings are held monthly. Each Board member is bound by fiduciary duties of loyalty (putting the interest of the PPA above himself/herself) and care (properly and efficiently oversee the affairs of the PPA).

Executive Director

The bylaws authorize the Board of Directors to continually employ an Executive Director who shall act as Chief Operating Officer of the PPA and be responsible for the implementation of policy as well as the daily administrative procedures of the PPA and shall be under the supervision of the Board.¹⁶ The Executive Director also has the authority to sign legal documents, deeds, bonds and other instruments and obligations of the PPA. The Executive Director is responsible for employing personnel he deems necessary to exercise and perform powers, duties and functions for the PPA and prescribe their duties and fix their compensation.¹⁷

During our audit period, the former Executive Director resigned his position on September 28, 2016, following pressure resulting from two sexual harassment complaints that had been brought against him. The Board appointed an interim Executive Director on October 13, 2016.¹⁸

Senior Management

Three deputy executive directors and two directors report directly to the Executive Director as described below:

- One deputy executive director is the General Counsel for the PPA and supervises PPA's legal staff.
- One deputy executive director oversees On-Street Parking, Taxicab and Limousine Services, and Red Light Photo Enforcement.
- One deputy executive director oversees Strategic Planning and Administration, Off-Street Operations, Airport Parking Operations, Support Services, and Engineering and Design.
- Finance Director, who oversees the Controller, Payroll and Time Control, and Revenue Control.

¹⁵ <http://www.philly.com/philly/news/416144703.html> (accessed April 24, 2017), Verified by PPA official, April 13, 2017.

¹⁶ Article III. Section G.

¹⁷ Bylaws of the Philadelphia Parking Authority, December 15, 2015.

¹⁸ PPA Board of Directors Meeting Minutes, October 13, 2016.

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- Director of PPA’s Department of Human Resources.

PPA Statistics

Employment

Approximately 1,100 PPA employees work at various locations throughout the City of Philadelphia, with approximately 750 being union members. The PPA currently has agreements with eight different labor unions, which each have unique terms and expiration dates.¹⁹ The number of employees (both full-time and part-time) has been consistent from June 2014 through October 2016, as shown in the following table:

Date	Full-Time Employees	Part-Time Employees	Total Employees
June 30, 2014	984	126	1,110
June 30, 2015	969	114	1,083
June 30, 2016	967	128	1,095
October 31, 2016	981	105	1,086

Source: Listings of employees provided by the PPA.

In October 2016, the interim Executive Director instituted a hiring and promotion freeze until December 2016.

Revenues and Expenses

The table below presents PPA’s Statement of Revenues and Expenses and Changes in Net Position for the years ended March 31, 2015 and 2016. Overall, net income (Change in net position) for the years ended March 31, 2015 and 2016, was \$752,716 and \$7,107,713, respectively.

¹⁹ Proposal No.16-31, PPA Human Resources Consulting Services Request for Proposal.

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PPA		
Statement of Revenues and Expenses and Changes in Net Position		
For the Years Ended March 31, 2015 and 2016		
	2015	2016
Operating revenues	\$ 234,461,546	\$ 242,855,463
Operating expenses:		
Direct operating expenses	106,941,874	109,602,667
Administrative expenses	25,772,094	27,276,609
Expenses to the City/School District of Philadelphia	75,559,524	74,794,277
Expenses to the Pa. Dept. of Transportation	4,314,765	5,181,749
Depreciation and amortization expense	15,660,806	14,909,306
Total operating expenses	\$228,249,063	\$231,764,608
Operating income	\$6,212,483	\$11,090,855
Non-operating revenues (expenses):		
Investment income	2,028,058	1,657,253
Interest expense	(7,821,105)	(7,807,115)
Medallion Fund transfers from the Commonwealth ²⁰	333,280	2,166,720
Total non-operating revenues (expenses) net	\$(5,459,767)	\$(3,983,142)
Change in net position	\$752,716	\$7,107,713
Net position, beginning of year	117,319,008	118,071,724
Effect of adoption of GASB 68 ²¹	-	(119,539,479)
Net position, end of year	\$118,071,724	\$5,639,958

Source: *The Philadelphia Parking Authority, Financial Statements, Required Supplementary Information And Financial Information For The Years Ended March 31, 2016 and 2015 & Independent Auditors' Report, Baker Tilly.*

²⁰ Act of Jul. 9, 2013, P.L. 455, No. 64, Philadelphia Taxicab Medallion Fund" or "medallion fund." Codified as amended at 53 Pa.C.S. §§ 5701-5717. A special fund in the State Treasury established by section 5708(a.1) (relating to funds) to which all moneys collected from the sale of medallions shall be deposited for the uses such as (Driver Certification Program, Wheel Accessible Taxicab Driver Training).

²¹ GASB 68 required government agencies participating in the City of Philadelphia's pension plan to individually report their proportionate share of the net pension liability and it impacted the PPA's net position for the first time, 2016 Philadelphia Parking Authority Financial Statements, FYE March 31, 2015 and 2016, Baker Tilly, page vii.

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Finding 1 – The PPA Board has failed to establish an ethical culture within the organization and a leadership team with integrity that upholds its fiduciary responsibility to effectively and efficiently operate the PPA and to be accountable to the citizens it serves.

The introductory paragraph of the Philadelphia Parking Authority’s Conflict of Interest Policy signed by the former Executive Director in 2003 (prior to him assuming that position) states as follows:

The Philadelphia Parking Authority (“Authority”) is a public body corporate and politic, exercising public powers of the Commonwealth of Pennsylvania as an agency of the Commonwealth. As an agency charged with enforcement of the law, and with the implementation of many public projects,²² the Authority must strive to ensure that its actions, as well as those of its directors, officers, employees, legal counsel, consultants, and independent contractors are ethical, honest, and above board. The integrity and good reputation of the Authority are crucial elements of its Mission Statement.

Those three sentences present a powerful message as to what the organization is and the importance of achieving its mission through appropriate actions by its leadership, employees, and other associated parties. It appears that prior to and during the audit period however, the culture and reputation of the Philadelphia Parking Authority (PPA) has not measured up to the stated purpose set forth in its Conflict of Interest Policy. Media reports in the past year have painted a very different picture of PPA which has resulted in a less than stellar reputation of the authority.

This performance audit was initiated by the Department of the Auditor General after receiving a request from PPA authorizing the Department to audit the organization. Our audit focused on the following objective: Determine the adherence to and the effectiveness of PPA’s employment policies and procedures, including policies and procedures related to prohibiting sexual harassment and discrimination in the workplace. This audit was initiated on October 3, 2016 – less than one week after the former Executive Director’s resignation on September 28, 2016. Our audit predominantly reviewed activity that occurred during the tenure of the former Executive Director. It should be noted that, as the audit progressed, PPA began to make what appears to be some positive changes to many longstanding concerns that existed during his tenure.

In most cases, we did not audit the changes that occurred after January 2017. One key change that directly relates to our audit objective was that on May 31, 2017, the PPA Board adopted a

²² The Conflict of Interest Policy defines “Project” as “Any initiative, procurement, endeavor, transaction, activity or legal matter to which the Authority has any interest.”

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revised Employee Manual. Due to the completion of our audit execution, the timing of this change did not afford us the opportunity to assess the adequacy of these revisions. Nevertheless, revising its Employee Manual is only a first step toward improving the culture and operations of PPA. The Board and senior-level management also need to establish an “above board” culture as stated in PPA’s Conflict of Interest Policy through ongoing communications with employees and must establish sufficient management controls and monitoring tools to ensure that employees adhere to the new policies.

One of the ways that organizations can independently monitor activities is to establish an internal audit function within the organization. According to the Institute of Internal Auditors (IIA):

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.²³

PPA has one internal audit position, but it has been vacant since March 2017. As part of this audit, we make recommendations for an internal auditor to monitor certain activities to evaluate whether inappropriate and non-compliant activity has occurred. Based on our review, it appears that one internal auditor is not sufficient to adequately address the potential number of areas that an organization of this size and with such broad responsibilities that should be monitored through internal auditing.

In spite of the recent changes, we must address what did occur during the tenure of the former Executive Director with respect to our audit objective.

Lack of Oversight by the Board

Although the Board has the affirmative duty to “manage the properties and business of the authority,”²⁴ the Board took a very hands-off approach to activity within the PPA, leaving the operation of the organization solely in the hands of the only employee the Board hires: the Executive Director. During an interview with the Board Chairman, who has held that title since 2001, he made the following statements:

- The Chairman has little involvement in the day-to-day operations of the PPA. His main responsibility is to chair the Board meetings, discuss and vote on PPA business and

²³ Institute of Internal Auditors, Definition of Internal Auditing, <https://na.theiia.org/standards-guidance/mandatory-guidance/Pages/Definition-of-Internal-Auditing.aspx> (accessed June 3, 2017).

²⁴ 53 Pa.C.S. § 5508.1(o). The Board also has duty “to prescribe, amend and repeal bylaws, rules and regulations governing the manner in which the business of the authority may be conducted.” Ibid.

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preside over executive sessions. Executive session discussions routinely cover personnel and labor-related issues, real estate, and legal matters. He stated that he does not set the agenda for either meeting; the agendas are set by senior PPA staff.

- The Chairman is not responsible for establishing PPA policy. Policies such as the sexual harassment policy are reviewed by the Board on an as-needed basis, if and when they are brought to the Board.
- The Board is not routinely notified of vacancies or new positions to be filled at the PPA. The former Executive Director had the sole ability to hire and fire staff until the creation of the Human Resources Committee (see below).
- No one on the Board was responsible for monitoring the performance of the former Executive Director, who was a workaholic and everyone was aware that he put in a lot of time at the PPA.
- No one on the Board was assigned the responsibility to monitor the former Executive Director's time and attendance. Therefore, his time reports were never reviewed or approved.
- No one on the Board approved the former Executive Director earning and using compensatory (comp) time during the audit period.
- The Chairman was not aware of the former Executive Director's leave balances prior to his resignation.

These acknowledgements demonstrate not only that the Board completely failed to oversee or monitor the activities of the former Executive Director as required by the act, but also that the former Executive Director (and other senior-level staff) controlled what information was presented to the Board for its review and approval. Therefore, instead of the Board leading PPA, the former Executive Director led the Board. As described in the other five findings within this report, however, the former Executive Director took advantage of this control and lack of oversight and did not operate the PPA appropriately, but instead took advantage of his position and weaknesses in management controls for his personal benefit. Our findings are as follows:

Finding 2 – The PPA Board's failure to effectively monitor the former Executive Director allowed him to violate PPA policy and manipulate his leave records for his own personal gain in possible violation of the Public Official and Employee Ethics Act. We found that PPA overpaid the former Executive Director for his unused leave balances.

Finding 3 – The PPA Board's failure to effectively monitor the activities of the former Executive Director allowed him to violate PPA policy and manipulate senior management leave records in possible violation of the Public Official and Employee Ethics Act.

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Finding 4 – PPA’s lack of Board oversight, outdated and ineffective employment policies, and a lack of training contributed to sexual harassment allegations against the former Executive Director not being adequately addressed.

Finding 5 – PPA’s hiring practices show a closed hiring process totally controlled by the former Executive Director.

Finding 6 – Lack of adequate policies, procedures, and supervisory oversight has led to ineffective due diligence in screening potential new employees.

This lack of oversight by the Board is not in accordance with the Board’s responsibilities as required by the special provisions for Cities of the First Class in the Parking Authority Act, which include, in part:²⁵

(n) Delegation.—

The board may delegate to an agent or employee powers it deems necessary to carry out the purposes of this chapter, *subject to the supervision and control of the board.* (Emphasis added.)

(o) Management.—

(1) The board has authority to manage the properties and business of the authority and to prescribe, amend and repeal bylaws, rules and regulations governing the manner in which the business of the authority may be conducted and in which the powers granted to it may be exercised and embodied.

Further, according to PPA’s Bylaws:²⁶

The Board shall continually employ an Executive Director who shall (in part):

(I) Act as the Chief Operating Officer of the Authority, and be responsible for the implementation of the policy as well as the daily administrative procedures of the Authority and *shall be under the supervision of the Board.* (Emphasis added.)

As a result, although both statute and PPA bylaws require that the activities of the Executive Director are to be supervised and controlled by the Board, the Board did not adequately perform its oversight function. Without this oversight, the former Executive Director was able to manipulate leave records, allow employment policies to not be revised, not provide adequate

²⁵ 53 Pa.C.S. § 5508.1(n) and (o) (emphasis added).

²⁶ Article III. Section G.

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training to employees, and totally control the hiring of all employees. These actions continued until the former Executive Director resigned, with the exception of the total control of the hiring of all employees which changed when PPA became aware of a sexual harassment complaint against the Executive Director in June 2015 (see Finding 4 for more information).

Once an investigation of the complaint was completed and the complaint validated, on July 22, 2015, the Board presented the former Executive Director with a letter of reprimand and the Board created a standing Human Resources Committee (HR Committee) of the Board.

The HR Committee did not adequately perform its functions.

According to Resolution (Exhibit V), the HR Committee, comprised of three Board members, was responsible for assisting the Board in fulfilling its oversight responsibilities in relation to the following:

- (a) The oversight and compensation of the Executive Director to include the evaluation of the Executive Director's performance.
- (b) Updating and maintenance of the Authority's Employee Manual through the work of the PPA staff and reevaluating on an annual basis.
- (c) The planning for the succession of the senior management.
- (d) Oversight of designated Employee Actions, which included only non-represented employees at pay range A17 (deputy managers) or higher and included hiring, promotion, demotion, discharge, transfer, or salary change.
- (e) Any additional matters delegated to the HR Committee.

According to the Chairman of the HR Committee, no formal agendas or meeting minutes were created. Meetings were generally held, if needed, prior to the monthly Board meeting. As a result, we could not establish when, or even if these meetings took place.

With regard to its oversight responsibilities related to (a), (b) and (d) above, the following comments by the HR Committee Chairman provide additional insight into how little of its responsibilities the HR Committee actually performed.

- (a) The HR Committee never conducted a performance evaluation of the former Executive Director from the creation of the committee until his resignation because the plan was apparently to evaluate his performance in January 2017 – his next anniversary date. He was not evaluated in January 2016, because a full year had not passed since the reprimand letter²⁷ was issued and the HR Committee had been created.

²⁷ Letter dated July 22, 2015, from the PPA Board to the former Executive Director outlining his conditions of employment. The letter was in response to a founded sexual harassment complaint filed by a PPA employee.

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- (b) PPA personnel had worked on drafting revisions to the Employee Manual, but with the resignation of the former Executive Director, the Board decided that the draft Employee Manual should be reviewed by an outside expert. The full Board adopted a new Employee Manual on May 31, 2017. As a result, the HR Committee did not evaluate the draft Employee Manual.

- (d) The HR Committee developed written procedures for approving Employee Actions. In essence, the Executive Director would sign and approve recommended action forms and create a transmittal form listing the actions to be taken by the HR Committee. That information, along with a packet (containing items such as a candidate's profile and resume) created by the Human Resources Department, would be emailed to each of the HR Committee members to review. If no objections were expressed, the Chairman would sign and return the forms. If questions arose, additional information would be requested or a meeting would be held to discuss.

The HR Committee performed no other functions related to supervising the activities of the former Executive Director, including reviewing or approving time and attendance records or monitoring leave balances. Additionally, the remainder of the hiring (below pay range A17) remained the sole discretion of the former Executive Director. Nothing changed with respect to the closed hiring process as discussed in Finding 5. Therefore, although the Board reacted to the sexual harassment complaint in a manner that appeared to provide some oversight through the creation of the HR Committee, in actuality, no significant changes occurred as noted throughout the report's findings regarding lack of ongoing oversight.

In addition to the bylaws authorizing the Board to employ an Executive Director to function as the Chief Operating Officer, the bylaws stipulate that the Executive Director can employ personnel and set their compensation.²⁸ We discussed concerns regarding this authority within the hiring realm in Finding 5. As we continued to evaluate the Employee Manual however, one additional employment policy area came into question — high salaries and excessive raises for senior management. We are presenting this concern in this finding because the Board (and the HR Committee since its creation in July 2015) signified its agreement with these decisions via its approval of PPA's budgets.

High Salaries and Excessive Raises for Senior Management

According to PPA's Employee Manual:

Section 201. Salary Scale: The pay ranges for positions covered by collective bargaining agreements are set according to the wage scales in those agreements.

²⁸ Article III. G.(1)(IV).

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Pay ranges for non-represented positions are set according to administrative scales. . . . An employee moves to the next higher step on the pay range for the job classification on his or her anniversary date, if the employee receives an overall rating of satisfactory or above on the annual performance evaluation.²⁹

Section 202. Cost of Living Adjustments (COLAs): From time to time, cost of living adjustments may be granted. COLAs are applied to the wage scales so that each step of the scale is adjusted based on the COLA. COLAs are not subject to performance evaluations.

As noted in Finding 3, there were 31 employees compensated at pay range A22³⁰ or higher (senior-level management at the highest salary levels). For this analysis, we excluded the former Executive Director and the interim Executive Director (because she was in that position for less than a year). Our analysis included the remaining 30 employees. We compared the salaries of these 30 employees as of July 1, 2014 and October 31, 2016, and found the following:

Senior management salary increases between July 1, 2014 and October 31, 2016			
Salary increase	Up to 10%	11 – 20%	21% or more
Number of employees	8	6	16

Source: This table was developed by the staff of the Department of the Auditor General based on salary information provided by PPA.

- **Up to 10% Salary Increase** – Received three annual COLAs collectively totaling 8.5%.
- **Between 11 - 20% Salary Increase** – Received three annual COLAs collectively totaling 8.5% plus one step increase on the pay range.
- **21% salary increase or more:**
 - 12 received promotions or equity adjustments³¹ ranging between 5 and 6 % together with three annual COLAs collectively totaling 8.5% plus one or two step increases on the pay range.
 - 4 received three annual COLAs totaling 8.5% plus two step increases on the pay range.

With the time period analyzed above being only 28 months, we believe the extent of these salary increases, especially for the 16 employees that received increases of more than 20 percent, is excessive. This, coupled with the high salaries shown below, indicates that PPA, as an agency of the Commonwealth, was not prudent in its handling of salary increases.

²⁹ We did not verify that individuals received satisfactory performance evaluations for the years discussed.

³⁰ Employees in the A22 pay range or higher generally receive annual compensation of approximately \$100,000 or more.

³¹ According to PPA officials, equity adjustments are promotions with additional responsibilities but the employee's title does not change.

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The table below provides the impact in total dollars for the seven of the 30 employees in our analysis who had the highest-percentage increase in salary over the 28-month period:

Senior Management Salary Increases July 1, 2014, through October 31, 2016				
Position	Salary July 1, 2014	Salary October 31, 2016	Salary Increase	% Increase
1 st Dep. Executive Director ³²	\$ 160,730	\$ 208,166	\$ 47,436	29.5%
1 st Dep. Executive Director	151,631	196,384	44,753	29.5%
1 st Dep. Executive Dir/Counsel	151,631	196,384	44,753	29.5%
Human Res. Senior Director	120,294	155,794	35,500	29.5%
Senior Director of Admin	113,485	146,977	33,492	29.5%
Controller	100,999	130,811	29,812	29.5%
Assistant Controller	95,285	123,406	28,121	29.5%

Source: Salary information provided by the PPA.

Overall, PPA was collectively paying these 30 senior-level employees \$3.2 million in July 2014. By October 2016, PPA was collectively paying these same employees \$3.821 million — an increase of \$621,000 (19.4%) in just 28 months. In contrast, the consumer price index for calendar years 2014, 2015, and 2016, was 1.6%, 0.1%, and 1.3%, respectively, or collectively 3%.³³ As a result, we believe these salary increases were excessive. As noted above, this increase stems from a combination of COLAs, step increases and promotions/equity adjustments.

With regard to COLAs, as noted in its Employee Manual, PPA is permitted to grant COLAs from time to time. An annual COLA is not guaranteed for management employees nor based on performance. During the period reviewed however, PPA automatically granted COLAs annually for management, coinciding with COLAs contained in collective bargaining agreements for union employees.³⁴ According to the Board Chairman, each COLA is not approved by the Board, but the COLAs are incorporated into PPA's annual budgets which are reviewed and approved by the PPA Board.

³² In 2015, at the direction of the former Executive Director, the three Deputy Executive Directors listed received changes in their job titles from Deputy Executive Director to 1st Deputy Executive Director. The job description did not change and the salary increases were \$10,529, \$9,933, and \$9,933 respectively, for the 1st Deputies listed.

³³ The U.S. Department of Labor, Bureau of Labor Statistics, develops the Consumer Price Index. The CPI is the most widely used measure of inflation and is sometimes viewed as an indicator of the effectiveness of government economic policy. It provides information about price changes in the Nation's economy to government, business, labor, and private citizens and is used by them as a guide to making economic decisions. In addition, the President, Congress, and the Federal Reserve Board use trends in the CPI to aid in formulating fiscal and monetary policies. See https://www.bls.gov/cpi/cpiadd.htm#2_3.

³⁴ Agreement between PPA and Local 2186, district Council 47, American Federation of State, County and Municipal Employees, AFL-CIO First Line Supervisors, September 1, 2013, to August 31, 2017.

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With regard to step increases, PPA has designated pay ranges for non-represented (management) employees. Employees eventually reach the top of the range and, in theory, cannot move higher without being promoted, which appears to have occurred for the eight employees who only received COLAs during the period we reviewed. PPA however, granted equity adjustments that allowed certain employees to jump to the next pay range and continue to receive step increases. We believe that considering the large salaries that were already in place as shown in the table above, the use of equity adjustments as a method to achieve further step increases was not a decision in the best interest of the PPA or the citizens of Philadelphia. These step increases are also built into the budgets which are reviewed and approved by the PPA Board.

With regard to promotions/equity adjustments, of the 12 employees who received promotions or equity adjustments, 11 were approved by the former Executive Director without any involvement by the Board or the HR Committee. The costs associated with these promotions/equity adjustments were included in the budgets approved by the PPA Board.

The PPA Board indirectly approved these salary increases at an aggregate level. We believe that employees in the public sector should not be receiving excessive salary increases, especially at the expense of the children of Philadelphia.³⁵ Without incurring the additional management salary expense plus the related benefit costs, PPA could have potentially provided additional revenue to the Philadelphia School District in accordance with Act 9 of 2004.³⁶

Seeking to fill the Executive Director Position

Currently, the Board is seeking to fill the Executive Director position. PPA, through a Memorandum of Understanding with the City of Philadelphia, hired an Interim Executive Director in October 2016 who currently manages the day-to-day operations of the PPA. According to its website, PPA has retained a consulting firm to search for prospective candidates and notes that it was accepting applications until May 12, 2017.

As part of the selection process, the PPA Board needs to not only evaluate the education and experience qualifications of each candidate, but also each candidate's character to gain insight into whether each will be bound by the position's fiduciary duties of loyalty (putting the interest of the PPA above himself/herself) and care (properly and efficiently operating the PPA).

³⁵ PPA operating expenses relating to the On-Street program, such as salaries, are inversely related to the funds available to support the School District of Philadelphia. See our audit report entitled Financial Objectives for more information.

³⁶ Amending various sections of Title 53 (Municipalities Generally) of the Pennsylvania Consolidated Statutes. This amendment established a formula by which net revenue from the On-Street Parking Program is split between the City of Philadelphia and the School District of Philadelphia.

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Recommendations for Finding 1

We recommend that PPA's Board and senior-level management:

1. Work together to create an organizational culture and work that is ethical, productive, and free from sexual harassment and discrimination.
2. Establish sufficient management controls to ensure that employees adhere to all policies, including new or revised policies subsequently implemented.
3. Consider expanding the internal auditing function beyond one position and fill the vacant internal audit position as soon as possible.

We recommend that PPA's Board:

4. Proactively oversee and monitor the activities of the Executive Director in accordance with the Parking Authority Act and its bylaws.
5. Consider whether other matters related to overseeing the Executive Director should be delegated to the HR Committee.
6. Fill the Executive Director position with a candidate who not only meets educational and experience qualifications, but also has leadership skills and ethical values and who, above all else, is committed to the betterment of the PPA.
7. Consider on a year-to-year basis whether management employees, particularly those who are the most highly-compensated, should receive COLAs rather than automatically granting COLAs annually.
8. Consider whether management employees should automatically receive step increases.
9. Assess whether management compensation is excessive.

We recommend that the Board's Human Resources Committee:

10. Reevaluate PPA's Employee Manual on an annual basis in accordance with its responsibilities.
11. Evaluate the performance of the Executive Director in accordance with its responsibilities on at least an annual basis.

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12. Ensure promotions/equity adjustments for management are appropriate, properly justified, and include additional responsibilities to be commensurate with the salary increase.

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Finding 2 – The PPA Board’s failure to effectively monitor the former Executive Director allowed him to violate PPA policy and manipulate his leave records for his own personal gain in possible violation of the Public Official and Employee Ethics Act. We found that PPA overpaid the former Executive Director for his unused leave balances.

The Philadelphia Parking Authority (PPA) Board’s failure to effectively supervise and monitor the time and attendance of the former Executive Director³⁷ allowed him to manipulate time records and not comply with PPA’s Employee Manual which resulted in him receiving a \$227,228 leave payout after he resigned on September 28, 2016, following publicized occurrences of alleged sexual harassment in the workplace (see Finding 4 for additional information).

According to PPA management, the former Executive Director began working for the PPA in 1983, and after more than 22 years of employment, he was appointed to the Executive Director position by the Board in October of 2005. He assumed this position on January 5, 2006 and remained there until his resignation. The Executive Director’s PPA career spanned more than 33 years. At the time he resigned, his annual salary was \$223,677 (\$114.71 per hour).

According to PPA’s *Benefits Manager Employee Attendance Summary Report*,³⁸ dated September 28, 2016 (date of resignation) the former Executive Director had the following leave balances:

Type of Leave (described later)	Balance (in hours)
Administrative Leave (AL)	22.50
AL Extra Days	15.00
Compensatory (Comp) Time	529.25
Furlough AL Days	157.50
Holiday Comp	195.00
Illness Plan (Sick)	4,028.79
Vacation Plan	1,134.63

Source: Developed by the staff of the Department of the Auditor General. See data reliability assessment in Appendix A.

³⁷ Pursuant to restrictions placed on authorities in cities of the first class in the “Parking Authority Act”, the PPA’s employees are “regarded as public employees of the Commonwealth, and officers or board members of the authority shall be regarded as public officials of the Commonwealth, whether or not they receive compensation.” See 53 Pa.C.S. § 5508.3(a)(1)(ii). Under Section 5508.3(a)(1)(i)(A) of the act, the former Executive Director was subject to the Public Official and Employee Ethics Act. See 53 Pa.C.S. § 5508.3(a)(1)(i)(A).

³⁸ This report prints leave activity for specific employees for a particular date range. The leave activity is categorized by leave type and includes leave balances, leave taken (used), leave accrued, and carryover amount at calendar year end in hours.

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According to PPA's Employee Manual, the amount of time an employee earns for certain leave types is based on the number of years of service. For each of the leave types noted in the above table, the following is the amount of leave the former Executive Director with over 33 years of service was earning, and/or an explanation of the type of leave:

Administrative Leave:³⁹ Full-time employees are awarded three administrative leave days⁴⁰ on July 1 and three administrative days on January 1 of each year. All six days must be used by June 30 or they will be forfeited.

AL Extra Days:⁴¹ An employee who uses no sick time in the calendar year will receive two additional administrative leave days on January 1 of the next calendar year. An employee who uses less than five sick days in a calendar year will receive one additional administrative leave day on January 1 of the next calendar year.

Compensatory Time:⁴² Employees at pay range A22 and above (senior management, including the former Executive Director) typically will not be compensated for additional hours worked. However, in extraordinary circumstances, one hour compensatory time will be awarded for each hour worked when approved by the Executive Director or a Deputy Executive Director.

Employees may carry over no more than 240 compensatory hours in a calendar year.

Furlough AL Days: According to PPA, for a period of about four years between 2007 and 2011, senior management employees took between 3% and 6% pay reductions. The PPA awarded Furlough Administrative Leave (FAL) to compensate for the reductions. According to Executive Order No. 12-0001, as amended by a September 4, 2013 memorandum from the Board Chairman, the FAL leave had to be used by December 31, 2014. Unused balances could not be converted to cash or other compensation or consideration.

³⁹ Section 305.A. PPA Employee Manual indicates six administrative days awarded on July 1. However, according to PPA, this language was not revised to coincide with new language contained in the September 1, 2013 – August 31, 2017 collective bargaining agreement with AFSCME, District Council 33, AFL-CIO. Further, according to the collective bargaining agreement, for only the fiscal year ended June 30, 2015, PPA employees were awarded four administrative days on July 1, 2014 and three administrative days on January 1, 2015.

⁴⁰ A normal work day for non-represented employees is 7.5 hours (8.5 hours including a one-hour, unpaid meal hour). Section 301. PPA Employee Manual.

⁴¹ Section 305.D.2.j.1. PPA Employee Manual.

⁴² Section 205.A.3.5. PPA Employee Manual.

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Holiday Comp:⁴³ When a holiday falls on Saturday, a holiday comp day will be recorded. There is no limit on the use of holiday comp days.

Sick Leave:⁴⁴ Employees hired before March 21, 1996 shall accrue 20 sick days per year. Employees may accrue and carry forward an unlimited number of sick hours. A full time employee with a good attendance record may sell back up to five sick days in each calendar year.

Vacation:⁴⁵ Full-time employees with more than 20 years of service accrues 25 days per year. At the end of each calendar year, non-represented employees may carry forward 150 vacation days (1,125 hours). Once each year an administrative employee may sell back to the PPA up to five days of unused vacation leave, so long as the employee maintains a balance of at least ten accrued vacation days after the sell back.

The Ethics Act

The Public Official and Employee Ethics Act (Ethics Act)⁴⁶ ensures that public officials and employees may not take any official actions or otherwise use the authority of their office that would impact on the lives of those they are elected or appointed to serve, including taxpayers, for their own pecuniary benefit or receiving any other monetary advantage for themselves or their immediate family or related companies. When enacting the Ethics Act, our General Assembly declared as follows, in part: "...public office is a public trust and that **any effort to realize personal financial gain** through public office other than compensation provided by law is a **violation** of that trust..."⁴⁷

Section 1103(a) of the Ethics Act provides: "No public official or public employee shall engage in conduct that constitutes a conflict of interest."⁴⁸ A conflict of interest can occur when a public official or public employee uses the authority of his office to derive a pecuniary benefit for himself. Section 1102 of the Ethics Act defines a "conflict of interest" as follows, in part: "Use by a public official or public employee of the authority of his office or employment...for the private pecuniary benefit of himself, a member of his immediate family or a business with which he or a member of his family is associated."⁴⁹

⁴³ Section 305.C.2.and 4. PPA Employee Manual.

⁴⁴ Section 305.D.1. and 305.D.2.j.ii. and iv. PPA Employee Manual.

⁴⁵ Section 305.B.2.d., B.5. and B.6. PPA Employee Manual. The 2006 PPA Employee Manual actually states that 125 days can be carried forward at the end of the calendar year. However, according to the PPA, this is outdated since the September 1, 2013 – August 31, 2017 collective bargaining agreement with AFSCME, District Council 33, AFL-CIO. The correct amount is 150 hours. We address the outdated PPA Employee Manual in Finding 4.

⁴⁶ 65 Pa.C.S. § 1101 *et seq.*

⁴⁷ 65 Pa.C.S. § 1101.1(a) (emphases added).

⁴⁸ 65 Pa.C.S. § 1103(a).

⁴⁹ 65 Pa.C.S. § 1102.

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Lack of oversight of the former Executive Director’s time and attendance allowed him to manipulate leave balances for his own personal gain.

The former Executive Director’s attendance and leave information was not reviewed and approved for correctness by anyone, including the Board.

Through several interviews, we gained an understanding of how attendance and leave were recorded and approved in PPA’s time and attendance system⁵⁰ (system) during the audit period. Attendance is recorded for employees using a biometrics system.⁵¹ When an employee arrives at work and leaves work, instead of punching a time card to record time worked, he/she places a thumb on a device which identifies the employee and logs their time. This information is recorded in the time and attendance system. Employees review the information in the time and attendance system each week to ensure that it is accurate. If the individual worked extra hours, the employee was required to request compensatory hours (comp time) or overtime and obtain approval before entering the comp time into the system. Additionally, most leave requests must be pre-approved by their supervisor before the employee can enter the leave hours into the system. Each employee has a “superuser” (employee’s supervisor or designee, such as an administrative assistant) that reviews the employee’s system attendance information to ensure that the minimum number of hours per week had been worked and then approves the information, including comp time and leave, in order for the hours to be processed by the Payroll Department.

According to PPA officials, the former Executive Director utilized the biometrics system to record attendance in the system for his time and attendance. His “superuser” was his Executive Assistant. The Executive Assistant would routinely review the former Executive Director’s attendance information and communicate with him as to what should be recorded as comp time earned and what leave was used. Therefore, at the former Executive Director’s instruction, she would enter and approve his comp time earned and leave used based on the discussions. This approval within the system, however, did not confirm the correctness or accuracy of the information. As a result, the number of leave hours recorded in the time and attendance system by the former Executive Director could have been understated or overstated.

According to the Executive Assistant, no one actually approved the former Executive Director’s leave or comp time earned. As further discussed in Finding 1, according to the Parking Authority Act, it is the Board’s responsibility to supervise and control the activities of the Executive Director. According to the Board Chairman however, the Board did not oversee the time and attendance of the former Executive Director. Additionally, even though the Board

⁵⁰ Empower Time software.

⁵¹ According to the noted website, with a biometric time and attendance system, there is no disputing who is signing in for duty. A scanned finger, iris, face, or other biometric modality ensures accurate payroll and efficient records keeping. When arriving for work, an employee signs in by submitting a biometric—an act only they can do—and scans out of work on breaks and when the shift is over. <http://findbiometrics.com/applications/time-and-attendance/> (accessed May 24, 2017).

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created the Human Resources (HR) Committee in July 2015, in large part to oversee the former Executive Director, the HR Committee failed to supervise and review his time and attendance records. Based on our discussions, both the Board Chairman and HR Committee Chairman implied that it was not their responsibility to review time and attendance of the former Executive Director. For example, the Board Chairman acknowledged that he did not know that the former Executive Director had recorded any comp time earned other than comp time that the Chairman approved for extra time worked in 2013 when PPA moved its headquarters to its current location. Our review of his comp time earned from January 1, 2014 until his resignation on September 28, 2016 found that the former Executive Director recorded 448 comp time hours on 103 days. As discussed in Finding 3 based upon PPA's Employment Manual, we do not believe that it was appropriate for the former Executive Director (or any senior-level management) to earn comp time.

This lack of supervision and oversight does not provide any credibility to the accuracy of the time and attendance hours recorded in the system for the former Executive Director, including comp time. Because the Executive Director was responsible for approving comp time, in this situation, he was approving his own comp time allocations, with no independent oversight of those time adjustments, in possible violation of the Ethics Act. This affects the determination of whether the former Executive Director's leave balances at the time of his resignation were accurate. As a result, we could not determine what the correct dollar amount of the former Executive Director's leave payout should have been. Our procedures were limited to reviewing the time and attendance information recorded in the time and attendance system. The results of our analysis of the former Executive Director's leave payout are discussed later in this finding.

In addition to allowing the former Executive Director to award and record comp time whenever he wanted, the Board's lack of supervisory oversight regarding his time and attendance also allowed the former Executive Director to manipulate his year-end vacation and comp time balances as explained in the next section.

The former Executive Director used his position to manipulate his compensatory and vacation balances, as well as his Holiday Compensatory balance for his own personal gain.

Compensatory and Vacation Balances

According to PPA's *Benefits Manager Employee Attendance Detail Report*, below are the former Executive Director's leave balances as of December 31, 2013, 2014, 2015, compared to his leave balances as of January 1, 2014, 2015, and 2016, for compensatory (comp) time and vacation:

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Former Executive Director's Leave Balance			
End of calendar year/Beginning of following calendar year			
Comp Time Hours		Vacation Time Hours	
Dec. 31, 2013	Jan. 1, 2014	Dec. 31, 2013	Jan. 1, 2014
367.75	367.75	1,131.98	1,206.00
Dec. 31, 2014	Jan. 1, 2015	Dec. 31, 2014	Jan. 1, 2015
493.13	493.13	1,209.25	1,209.25
Dec. 31, 2015	Jan. 1, 2016	Dec. 31, 2015	Jan. 1, 2016
461.12	450.00	1,046.50	1,046.50

Source: Developed by the staff of the Department of the Auditor General. See data reliability assessment in Appendix A.

In accordance with policy, whenever year end balances are above the carryover caps of 240 comp hours and 1,125 vacation hours (150 days times 7.5 hours), the beginning balances of the following calendar year should be reduced to the cap or maximum carryover amount, therefore forfeiting the time earned but not used. However, as shown above, the former Executive Director's leave balances at the beginning of the calendar year were not reduced for two of the three years we reviewed, and was increased for vacation time on January 1, 2014. An explanation of how and why this occurred for comp time and vacation time is below.

Comp time:

We reviewed leave records from July 1, 2013 through the former Executive Director's resignation on September 28, 2016 and found that management overrode established internal controls in two separate ways with regard to his comp time leave balances:

1. The comp time cap in the time and attendance system was raised to 450 hours and not 240 hours as required per policy.
2. The December 31, 2014 an excess balance of 43.13 hours (above the 450 hours cap) was reinstated to the Executive Director on January 1, 2015 (see above table).

According to PPA officials, and apparently without knowledge by the Board Chairman, the former Executive Director informed payroll personnel to have the system's comp time cap limit set higher. Although we do not have documentation dating back prior to July 2013, we were provided a memorandum dated March 21, 2014 from the former Executive Director that instructed an employee in the Payroll Department to permit certain employees, including the former Executive Director, "to carry 480 hours of comp time at years end."⁵² According to the memorandum, this ability to carry comp time in excess of policy was a result of their duties, such as law enforcement. We will discuss

⁵² PPA could not explain why someone entered 450 hours as the maximum comp time cap rather than 480 hours as the former Executive Director requested. The employee who performed this function no longer works at PPA.

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the extent to which the former Executive Director manipulated other PPA employees' leave balances in Finding 3.

As a result, as shown in the above table, the 367.75 comp time hours as of December 31, 2013 were not reduced to 240 hours on January 1, 2014 as required by policy, because the Executive Director increased the cap in the system to 450 hours. Also, with regard to December 31, 2015, the table shows that the Executive Director's 461.12 hours was reduced to 450.00 hours, which agrees with the new cap established. However, with regard to the December 31, 2014 balance, another management override occurred: someone in the Payroll Department reinstated the former Executive Director's excess 43.13 hours on January 1, 2015. According to PPA officials, the former Executive Director instructed the Payroll Department to make the change to his leave balance; however, PPA could not provide evidence other than a spreadsheet that appears to have been created close to the end of calendar year 2014 that identified the former Executive Director as having 493 comp hours. The officials acknowledged that the handwriting on the spreadsheet is the former Executive Director's, but the handwriting only notes that the comp hour cap for him (and others) should be 480.

Vacation Time:

We reviewed leave records from July 1, 2013 through the former Executive Director's resignation on September 28, 2016 and found that management overrode established internal controls twice with regard to the former Executive Director's vacation time leave balances:

1. On January 1, 2014, 81 vacation hours were added to his leave balance even though he had an excess balance on December 31, 2013 of 6.98 hours (1,131.98 less 1,125.00, see above table).
2. The December 31, 2014 excessive balance of 84.25 hours (above the 1,125 hours cap) was reinstated on January 1, 2015 (see above table).

Based on inquiry with regard to the first item, PPA officials provided a February 10, 2014 memorandum from payroll personnel to the former Executive Director that indicated several employees, including the Executive Director, had "lost time in 2013 due to carryover requirements." The amount "lost" by the Executive Director per the memorandum was 81 hours of vacation. As previously indicated however, based on our review of the leave records, we noted that his excessive hours were 6.98. As a result, we asked PPA to provide documentation to support the 81 hours added back to the former Executive Director's balance. PPA officials however, indicated that they could not substantiate these additional hours. Additionally, PPA provided a March 21, 2014 memorandum from the former Executive Director that stated "restore their vacation time as identified in [the February 10, 2014] memo." As a result, 81 hours was added to the former Executive Director's vacation balance, which resulted in his January 1, 2014

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vacation balance in the above chart as 74.02 hours greater than the December 31, 2013 balance (81 hours less 6.98 excessive hours not reinstated).

With regard to the second item, similar to comp time for that same year, a Payroll Department employee reinstated the former Executive Director's 84.25 hours on January 1, 2015. According to PPA officials, the former Executive Director instructed the Payroll Department to make the change; however, PPA could not provide evidence other than a spreadsheet that appears to have been created close to the end of calendar year 2014 that identified the former Executive Director as having more than 1,200 vacation hours. The officials acknowledged that the handwriting on the spreadsheet is the former Executive Director's, which indicates that "vacation carryover to be 1,125 hours per handbook."

Holiday Compensatory Balance

As previously noted, according to PPA's Employee Manual, a holiday compensatory (comp) day is recorded (earned) only when a holiday falls on a Saturday. According to PPA's *Benefits Manager Employee Attendance Detail Report* (leave report) for the former Executive Director for the period July 1, 2013 through September 28, 2016, he received holiday comp days for days other than just Saturdays, as shown in the below table:

Former Executive Director's Holiday Comp Earnings			
Balance	Holiday Date	Weekday	Hours
July 1, 2013			165.00
	April 18, 2014	Friday	7.50
	January 19, 2015	Monday	7.50
	July 4, 2015	Saturday	7.50
	November 11, 2015	Wednesday	7.50
Sept. 28, 2016			195.00

- Holiday comp in compliance with policy - Holiday comp not in compliance with policy
Source: Developed by the staff of the Department of the Auditor General. See data reliability assessment in Appendix A.

As shown above, only one of the four days recorded as holiday comp should have been recorded under this policy. According to PPA officials, it was customary for the former Executive Director to require himself and certain other employees to report to work on holidays to participate in meetings, such as a budgetary meeting. Afterwards, he would arrange for these employees (and himself) to receive a full holiday comp day and possibly some additional regular comp time. Although PPA could not provide evidence for any of the situations above, we did receive a November 23, 2011 memorandum addressed from the former Executive Director to the Payroll Department indicating that certain employees, including himself, worked on Veteran's Day (Friday, November 11, 2011), and as such, requested the Payroll Department to compensate the employees in accordance with the listing included in the memorandum. With regard to the former Executive Director, the memorandum stated that he should be compensated for a full

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holiday comp day together with an additional 5 ¾ hours of comp time. We do not know how many hours each employee worked that day, but each received a full holiday comp day plus additional hours of comp time, which varied by employee. We will discuss the extent to which the former Executive Director manipulated other PPA employees' leave balances in Finding 3.

This method of awarding holiday comp days is against PPA policy and, with no oversight by the Board or the HR Committee, such inappropriate activity occurred over several years.

Conclusion: As a result of the Board and the HR Committee not overseeing the time and attendance of the former Executive Director, he was able to take advantage of this situation for his own personal gain. This is at a minimum abusive, and we are concerned that it is potentially fraudulent.⁵³ We forwarded this report to the Office of Attorney General for possible investigation. Furthermore, when the former Executive Director manipulated his own time and accrual records, including his compensatory time and vacation leave, he clearly did so for his own personal gain and beyond his already ample lawful compensation. We believe that he did so in possible violation of the Ethics Act and we will additionally refer this matter to the State Ethics Commission and provide a related recommendation at the end of this finding. The next section in this finding addresses our analysis of the former Executive Director's leave payout.

Although the PPA reviewed the former Executive Director's leave pay-out request and significantly reduced the amount actually paid, we found that PPA still overpaid him by more than \$2,000.

Our analysis in this section is based on our review of the time and attendance records of the former Executive Director from July 1, 2013 through his resignation on September 28, 2016. Additionally, we reviewed the report issued by an outside law firm and written analysis performed by the internal audit staff. We also had follow-up discussions with one of the three individuals that participated in the internal staff review (the other two individuals no longer work for the PPA) and a Deputy Executive Director and obtained additional documentation. We did not audit the time and attendance records to verify whether the information was accurate; however, as noted below, we did discover that the records omitted at least two transactions. Further, as previously noted, there was no supervisory review and approval of the correctness of

⁵³ For example, the former Executive Director may have committed the Crimes Code offense of "Tampering with public records or information": "A person commits an offense if he: (1) knowingly makes a false entry in, or false alteration of, any record, document or thing belonging to, or received or kept by, the government for information or record, or required by law to be kept by others for information of the government; (2) makes, presents or uses any record, document or thing knowing it to be false, and with intent that it be taken as a genuine part of information or records referred to in paragraph (1) of this subsection; or (3) intentionally and unlawfully destroys, conceals, removes or otherwise impairs the verity or availability of any such record, document or thing." See 18 Pa.C.S. § 4911.

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the comp time earned and leave used. As such, the results of our analysis predominantly rely on the time and attendance records as provided. Additionally, our analysis below does not take into consideration whether the former Executive Director should have been allowed to earn and use comp time, which is discussed in Finding 3. Therefore, strictly for purposes of this review, our analysis was prepared with the assumption (which we are not conceding) that the former Executive Director was allowed to earn comp time.

With regard to employees separating from the PPA, according to the PPA Employee Manual:⁵⁴

Full-time employees who are separated from the Authority employment, whether because of termination, resignation, layoff, retirement, or death, are entitled to full payment for all time worked prior to separation, and to payment for earned vacation leave accrued by the employee. Vacation leave will accrue to the date of separation. Payment will also be made for accumulated compensatory time off, and for unused administrative leave days. A full-time employee who has attained, or is within five years of, the normal retirement age requirement of the pension plan in which he or she is enrolled, and who has twenty years of service with the Authority, will also receive 30% of his or her accrued sick leave...Sick leave will be accrued to the date of separation.

On November 8, 2016, subsequent to his resignation, the former Executive Director notified the PPA's Human Resource department that he was requesting his monetary payout for his accumulated leave balances. The request totaled more than \$400,000 (see details in the below table). As a result of the large leave payout request, the Board had three internal employees (Director of Payroll, Controller, and Internal Auditor) review his request. Additionally, the Board sought an outside opinion and retained a law firm to review the recommendations made by the internal staff.

On December 13, 2016, the former Executive Director submitted a second request for his leave payout. In that formal request he revised his sick leave request noting, "I understand that a retiring employee must designate the hours of sick leave to be converted to additional sick leave benefits prior to finalizing the number of hours one is to be paid" at 30 percent. As a result, he reduced the number of net accumulated sick leave (after the 30 percent factor) from 1,209.16 hours to 534.00 hours.⁵⁵ This revised leave pay-out request totaled approximately \$323,000 (see details on the below table).

⁵⁴ Section 109. B. & C.

⁵⁵ The former Executive Director had accumulated approximately 4030 hours of sick leave at the time of retirement. The 4028.79 reflected in the first table was as of September 25. According to PPA, he had accrued an additional 1.73 hours between September 26 and 28. He purchased 10 years of additional health coverage in accordance with the PPA Employee Manual using 2,250 hours of sick leave (18.75 hours times 12 months times 10 years), which reduced his 4030 hour balance to 1,780 hours. Thirty percent of 1,780 hours is 534.00 hours. He also was to receive five years of health care coverage in accordance with Section 109.D. PPA Employee Manual.

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The following table compares the number of leave hours and related pay-out amounts requested by the former Executive Director in his initial and second requests to the recommended number of hours that should be paid based on the outside law firm’s review, PPA’s internal staff review, and the Department of the Auditor General’s (DAG) review.

	Former Executive Director Initial Request	Former Executive Director Second Request	Outside Law Firm’s Recommendation	PPA Internal Staff Recommendation	DAG’s Determination of what the Pay-out Should have been
Type of Leave	Hours	Hours	Hours	Hours	Hours
Administrative Leave (AL)	22.50	22.50	22.50	22.50	15.00
AL Extra Days	15.00	15.00	15.00	15.00	15.00
Comp Time	529.25	529.25	PPA to decide	289.25	289.25
Furlough AL Days	157.50	157.50	-	-	-
Holiday Comp	195.00	195.00	67.50	67.50	67.50
Illness (30%)	1,208.79	534.00	534.00	534.00	522.75
Vacation	1,134.63	1,134.63	At least 971.55	1,052.71	1,052.71
Frozen Comp ^{a/}	229.00	229.00	PPA to decide	-	-
Total hours	3,491.51	2,816.88	PPA to decide	1,980.96	1,962.21
Hourly rate (per PPA)	\$114.70615	\$114.70615	\$114.70615	\$114.70615	\$114.70615
Total Dollars ^{b/}	\$400,497.67	\$323,113.46	PPA to decide	\$227,228.29	\$225,077.56

a/ The frozen comp was not included in PPA’s *Benefits Manager Employee Attendance Summary Report*, dated September 28, 2016, as shown in the first table of this finding. It was comp time from 2005 that was not included in the latest time and attendance system that went live in 2013.

b/ For consistency, we used PPA’s hourly rate and did not round to the nearest cent (\$114.71).

Sources: Developed by the staff of the Department of the Auditor General using the following: letters dated November 8, 2016 and December 13, 2016, from the former Executive Director; PPA memorandum dated December 12, 2016; outside law firm’s memorandum dated December 29, 2016; and the explanation for DAG’s determination is noted below the table.

On December 30, 2016, the PPA paid the former Executive Director \$227,228.29 in accordance with the PPA internal staff’s recommendation. Based on our analysis however, we believe that the former Executive Director should have been paid no more than \$225,077.56 or \$2,150.73 less than what PPA actually paid.

As seen in the above table, the outside law firm’s recommended number of hours for several leave types is the same as the hours calculated by PPA’s internal staff. With respect to comp time and frozen comp time, the outside law firm chose not to recommend a specific number of hours. Instead, it cautioned PPA as to the potential legal risk associated with not paying the former Executive Director for this comp time. Additionally, with regard to vacation, the outside law firm questioned two suspicious events involving the 84.25 hours and 81.00 hours that we previously discussed, but questioned whether only the 84.25 hours should be excluded, which is why the outside law firm recommended “at least 971.55 hours.” We further question the benefit

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of retaining the outside law firm, at a cost of \$13,760, when it did not provide PPA with any definitive recommendation for all leave types.

Below is a description of the key differences in the comparisons between the former Executive Director's second leave payout request, PPA's internal staff's recommendation, and what we believe should have been paid.

Administrative Leave

According to his leave records, the former Executive Director's administrative leave balance at the time of his resignation was 22.5 hours. That balance however, failed to recognize that during the fiscal year ending June 30, 2015, he had taken eight administrative days when only seven administrative days were available. According to the Director of Payroll, the time and attendance system would not prevent employees from taking more administrative leave than what was available. The system would simply flash a warning as the excessive leave was being entered, indicating that leave was not available. Because the system allowed the former Executive Director to take an extra administrative leave, that extra leave day should have been deducted from future available administrative leave, which is why we reduced his administrative leave balance payout to 15 hours rather than 22.5 hours in our calculations. PPA officials agreed with this conclusion and noted that the PPA internal staff had identified this in their analysis, but the 7.5 hours were inadvertently not excluded from their final conclusion and paid out to the Executive Director.

Comp Leave

According to his leave records, the former Executive Director's comp time balance at the time of his resignation was 529.25 hours, which is what he requested compensation for. However, as previously discussed, this balance had been inflated due to his unilateral establishment of a maximum cap in the system of 450 hours instead of the 240 hours per PPA policy. Further, hours above the 450 hour cap at year end were improperly reinstated at the beginning of the next calendar year. As a result, for purposes of this analysis only, we can accept only the 289.25 hours as determined by PPA's internal staff. To arrive at that figure, PPA started with 240 hours as of January 1, 2016, in accordance with policy, added the hours earned during 2016, and subtracted what was used during 2016.

Furlough AL Days

According to his leave records, the former Executive Director's furlough AL day balance at the time of his resignation was 157.5 hours, which is what he requested compensation for. However, as previously noted, any furlough AL day balance had expired as December 31, 2014. As a result, these hours were removed from the compensation total.

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With respect to why this balance remained in the leave system, according to the Director of Payroll, this type of leave was not set in the system to automatically delete at the time of expiration. A Payroll Department employee should have therefore manually removed this balance from the former Executive Director's (and anyone else's) leave totals, but did not. Without removing this balance, employees with furlough AL days could continue to use them. With regard to the former Executive Director, according to his leave records, he did not use any furlough AL day leave subsequent to the December 31, 2014 expiration.

Holiday Comp

According to his leave records, the former Executive Director's holiday comp balance at the time of his resignation was 195.00 hours. As indicated above however, this is an inflated figure because the former Executive Director awarded himself and others full holiday comp days (as well as additional hourly comp time) if he worked any time on a holiday, which is not in compliance with PPA policy. To determine the correct amount, PPA's internal staff manually calculated the number of holidays that fell on a Saturday between January 2002 forward and added the balance of two days that existed as his balance as of January 2002. They confirmed that he had not used any holiday comp time since 2002. We can understand this and the 67.5 hour figure that was determined. In essence, this eliminated receiving extra pay-out dollars for holiday comp that would have occurred had PPA accepted what the leave system reported and had been requested by the former Executive Director.

Illness (sick) leave

According to his leave records, the former Executive Director's sick leave balance at the time of his resignation was 4,028.79 hours. Based on our review of these records and further inquiry however, we found that the leave records were overstated by 37.5 hours. Specifically, PPA provided evidence that in January 2014, the former Executive Director was paid out for 37.5 hours of sick (as allowed by policy), but the 37.5 hours was never removed from his leave balances. PPA could not explain why this occurred, other than it being an oversight on the part of Payroll Department personnel. As a result, taking into account that the former Executive Director purchased additional health care benefits and that the policy requires a 30 percent pay-out, we determined that the correct amount of sick leave hours to be paid was 522.75.⁵⁶

⁵⁶ The difference between the 534 hours PPA calculated and the 522.75 hours DAG calculates is 11.25 hours (37.5 hours times 30 percent).

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Vacation leave

According to his leave records, the former Executive Director's vacation balance at the time of his resignation was 1,134.64 hours, which is what he requested compensation for. However, as previously discussed, this balance had been inflated by 81 hours on January 1, 2014 and by the reinstatement of 84.25 hours on January 1, 2015. To calculate its recommended amount of hours to pay, PPA utilized the 1,125 hour vacation carryover cap to recalculate the amount of vacation that the former Executive Director should have been owed. This, in essence, eliminated receiving extra pay-out dollars for vacation that would have occurred had PPA accepted what the leave system reported and requested by the former Executive Director. As a result, we are in agreement with the 1,052.71 hours.

Frozen comp

Although the former Executive Director provided support for 229.00 hours of frozen comp time, PPA did not have this in their leave system. Additionally, this comp should have been combined with normal comp leave. Therefore, because his comp time already exceeded the 240 hour cap, we agree that these frozen comp hours should not have been included in the former Executive Director's pay-out calculation.

Recommendations for Finding 2

We recommend that PPA's Board:

1. Ensure that any Executive Director's time and attendance are reviewed and approved by the Chairman of the Board or the Human Resources Committee, if delegated, for correctness.
2. Develop controls to prohibit the Executive Director and other senior-level management from overriding policy and management controls, especially within the Payroll Department, for either himself/herself or other employees.
3. Require its Internal Auditor to periodically and regularly review and monitor the Executive Director's leave balances for suspicious activity.
4. Develop protocols for PPA employees to report suspicious activity or inappropriate requests from the Executive Director.
5. Ensure that "whistle-blower" protections are in place for employees who report suspicious activities of the Executive Director or any management staff.

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We recommend that the PPA:

6. Implement an edit check within its time and attendance system to either prevent employees from entering an administrative leave request when there is an insufficient available balance or, if this is allowed to continue, program the system to reduce the subsequent year's balance by the amount of leave used in excess of availability.
7. Only permit the establishment of leave caps that are in compliance with Board-approved policy, and prohibit the caps from being overridden.
8. Follow all established time and attendance policies and do not reinstate leave balances that exceed policy caps.
9. Ensure that any leave balances that expire are removed timely for all applicable employees.
10. Ensure that all sick and vacation leave that is sold back to PPA is removed from the respective employees' leave balances.
11. Ensure that all public officials and public employees within the PPA and its board regularly receive Ethics Act training, including the avoidance of engaging in conflicts of interests, and sign conflicts of interest statements.

We refer this matter to the Office of Attorney General and kindly request that the Office:

Closely review the former Executive Director's actions regarding his time and accrual records, including his compensatory time and vacation leave, to ensure compliance with the Crimes Code and to pursue a course of action as it deems fit.

We refer this matter to the State Ethics Commission and kindly request that the Commission:

Closely review the former Executive Director's actions regarding his time and accrual records, including his compensatory time and vacation leave, to ensure compliance with the Ethics Act with regard to possible conflicts of interest and to pursue a course of action as it deems fit.

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Finding 3 – The PPA Board’s failure to effectively monitor the activities of the former Executive Director allowed him to violate PPA policy and manipulate senior management leave records in possible violation of the Public Official and Employee Ethics Act.

As explained in Finding 2, the former Executive Director⁵⁷ of the Philadelphia Parking Authority (PPA) manipulated his own leave records for his personal gain. However, as part of reviewing his leave records, PPA identified many of the improper manipulations and reduced his leave payout accordingly. Although we identified an additional \$2,000 that should not have been paid to the former Executive Director in our calculation for that limited purpose, we did not include the impact of whether the former Executive Director should have even been earning and recording compensatory (comp) time in the leave system. We also identified that the former Executive Director allowed his direct reports to earn comp time which was not in compliance with PPA’s Employee Manual. We discuss this issue within this finding because it affects more than just the former Executive Director.

Because the former Executive Director was able to manipulate his own leave records, we also expanded our test work to include evaluating whether other leave records for certain senior-level employees were manipulated. As explained in Finding 2, neither the PPA Board nor the Human Resources (HR) Committee were monitoring the activity of the former Executive Director. This hands-off environment gave the former Executive Director the capability to operate in an unfettered manner, which included manipulating leave records and not complying with PPA’s employee policies. This finding includes the results of our expanded leave records testing.

Finally, Finding 2 discussed the fact that no one was approving the former Executive Director’s time and attendance records for propriety. As part of our testing of PPA’s hiring procedures (see Finding 6), we selected 60 of 382 employees hired between July 1, 2014 and October 31, 2016.⁵⁸ One of these 60 employees was an individual hired as a hearing examiner on a part-time basis (required to work thirteen 8-hour days each month) that, according to PPA officials, worked directly for the former Executive Director. Further inquiry determined that in total, there were two such hearing examiners. As a result, because these two part-time hearing examiners worked directly for the former Executive Director, we evaluated whether the former Executive Director was ensuring that these employees were working at least a minimum of 13 days per month. This finding includes the results of this test work.

The remainder of this finding will address these three issues.

⁵⁷ Pursuant to restrictions placed on authorities in cities of the first class in the “Parking Authority Act”, the PPA’s employees are “regarded as public employees of the Commonwealth, and officers or board members of the authority shall be regarded as public officials of the Commonwealth, whether or not they receive compensation.” See 53 Pa.C.S. § 5508.3(a)(1)(ii). Under Section 5508.3(a)(1)(i)(A) of the act, the former Executive Director was subject to the Public Official and Employee Ethics Act. See 53 Pa.C.S. § 5508.3(a)(1)(i)(A).

⁵⁸ See Finding 6 for our test selection methodology.

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Comp time earned by senior-level management and the effects of this benefit

Prior to discussing details regarding comp time earned by senior managers within PPA, we discuss whether it is appropriate for management employees, particular the most senior level managers, to earn comp time. Most management employees, including those in the government sector, are salaried employees, meaning that the employee is not paid hourly, but rather receives a flat salary amount representing compensation for completing their job duties, no matter the number of hours required to perform the responsibilities of the job. The Fair Labor Standards Act (FLSA) provides an exemption from overtime pay for “employees employed as bona fide executive, administrative, [and] professional employees based on meeting certain tests. Included within this exemption are highly-compensated employees performing office or non-manual work earning \$100,000 or more.”⁵⁹ Based on an evaluation of salaries of the 31 PPA senior-level management as of September 1, 2016, 30 had salaries of \$100,000 or more. As a result, PPA had no legal requirement to pay overtime to these individuals. PPA is also not obligated to offer compensatory time when these individuals work in excess of normal business hours. Despite having no obligation to award comp time for these employees, according to PPA’s Employee Manual:⁶⁰

Employees at pay range A22 and above [considered senior-level management, including the Executive Director] typically will not be compensated for additional hours worked. However, in extraordinary circumstances, one hour compensatory time will be awarded for each hour worked when approved by the Executive Director or a Deputy Executive Director.

Based on this language, comp time should only be approved for specific reasons under rare (“extraordinary”) circumstances. As noted on Finding 2, the former Executive Director determined for himself when comp time would be recorded as earned without written justification and did it often (448 comp time hours were recorded as earned on 103 occurrences over a 33-month period).

Through additional inquiry, we found that the former Executive Director did not only award comp time for alleged extraordinary circumstances as permitted by PPA’s Employee Manual, but did so liberally and frequently. According to a Deputy Executive Director, whenever that individual worked at least one hour beyond his normal work day (7.5 hours), the former Executive Director would automatically grant him earned comp time without the Deputy Executive Director needing to request and/or justify the comp time. This granting of comp time in circumstances that were certainly not “extraordinary” applied to at least all the Deputy Executive Directors. As a result, comp time was approved by the former Executive Director (via his Executive Assistant) whenever the Deputy Executive Directors worked an extra hour or more

⁵⁹ ‘Fact Sheet #17B: Exemption for Executive Employees Under the Fair Labor Standards Act (FLSA),’ 29 CFR Part 541, Section 13(a)(1), https://www.dol.gov/whd/overtime/fs17b_executive.pdf (accessed May 31, 2017).

⁶⁰ Section 205.A.3. PPA Employee Manual.

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and did not take into account the circumstances as to why they needed or wanted to work extra hours (i.e.; whether the time was “extraordinary” as required by policy). Based on their leave records, the table below shows the three Deputy Executive Directors’ comp time earned between January 1, 2014, and December 31, 2016:

Comp Time Earned by PPA Executives						
Calendar Year	Deputy Executive Director 1		Deputy Executive Director 2		Deputy Executive Director 3	
	Hours	Number of Occurrences	Hours	Number of Occurrences	Hours	Number of Occurrences
2014	45.25	24	80.75	44	37.50	19
2015	142.64	42	50.75	24	59.75	21
2016	92.88	45	36.25	14	47.38	18
Total	280.77	111	167.75	82	144.63	58

Source: This table was compiled by the staff of the Department of the Auditor General based on information contained in PPA’s Benefits Manager Employee Attendance Detail Report. See data reliability assessment in Appendix A.

Based on the number of hours and occurrences of comp time, it appears that such time was not just granted for extraordinary circumstances, but, as PPA conceded, was liberally interpreted such that any occasion of overtime was acceptable. This frequency of earning comp time appears to not be limited simply to employees directly reporting to the former Executive Director.

We also obtained a leave balance report as of November 18, 2016, for the entire department and another report that identified the 31 employees, including the three Deputy Executive Directors, who were compensated at pay range A22 or higher. Using these reports, we compiled the number of employees who had accrued comp time hours by range of hours as noted below:

Comp time hours	Employees compensated at pay range A22 or higher as of November 18, 2016				
	0 – 50	51 – 100	101 – 150	151 – 200	201 or more
Number of employees	15	4	4	5	3

Source: This table was compiled by the staff of the Department of the Auditor General based on leave information provided by the PPA. We evaluated the reasonableness of this information by comparing certain leave balances to the leave balances contained in PPA’s Benefits Manager Employee Attendance Detail Report. See additional information regarding data reliability assessment in Appendix A.

Of the 31 employees, 1 employee had no comp time balance and 6 had a comp time balance of five hours or less. Additionally, the number of comp time hours accrued above 200 for the three employees was 228, 248, and 448 hours, respectively. See Appendix B for detailed leave balances for all 31 employees as of November 18, 2016. With 30 of 31 employees having earned comp time at some point, it appears that comp time is awarded to most employees, despite the apparent restrictions in PPA’s policy for employees at pay range A22 or higher. We did not determine whether comp time for these employees was earned in accordance with PPA’s

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Employee Manual with the exception of our discussion above involving the three Deputy Executive Directors. The earning of comp time provides the potential for additional benefits for employees as discussed below.

Comp time benefits

When an employee earns comp time, the employee can use their comp time leave in place of other types of leave. PPA's Employee Manual does not stipulate how comp time can be used. Barring specific guidance, it is reasonable that an employee may use comp time in lieu of illness (sick) leave (although per the Employee Manual sick leave should be used for all illness-related leave) or in place of vacation leave. Earning and using comp time allows employees to potentially accumulate large leave balances, including comp time, which can result in large leave payouts, as was the case for the former Executive Director (see Finding 2).

In addition to receiving leave payouts when employees separate from employment, PPA's Employee Manual allows employees to sell back vacation and sick leave on an annual basis. Specifically, employees who meet certain requirements are allowed to sell back up to five days of vacation leave and sick leave in each calendar year, giving the employee up to two weeks of additional pay.⁶¹ Selling back sick leave depends on whether sick leave is taken during the prior calendar year.⁶² If comp time is used in lieu of sick or vacation time, the employee may receive an additional windfall for unused sick or annual leave, known as "sell back" leave.

Using our selection of 6 of the 31 employees compensated at pay range A22 or higher, as explained in the next section, we evaluated their leave records from July 2013 through April 2017 to ascertain whether these employees took advantage of these annual sell back benefits. Based on our test work, we found the following:

- 4 employees sold back 37.5 hours of vacation and sick leave in January 2014, 2015, 2016 and 2017 (four consecutive years).
- 1 employee sold back 37.5 hours of sick leave in January 2014, 2015, 2016 and 2017 (four consecutive years).
- 1 employee sold back 37.5 hours of vacation in January 2014, 2015, 2016 and 2017 (four consecutive years); 37.5 hours of sick leave in January 2014, 2016, and 2017; and 30 hours of sick leave in January 2015 (he used one day of sick leave in 2014).

Overall, for these six employees over a four-year period, only one employee used a single day of sick leave.⁶³ Based on these results, it appears that either these six employees have been very

⁶¹ Section 305 B.6. & D.j.ii.

⁶² If no sick leave is taken the previous calendar year then five days of sick leave can be sold back to PPA. If one day of sick leave is taken, then four days of sick leave can be sold back to PPA and so on.

⁶³ PPA also offers 20 hours of medical appointment leave for doctor visits separate from sick leave. Employees can use this leave in two hour increments for pre-scheduled medical appointments. Use of this leave does not affect sick leave or the sick leave sell back benefit.

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healthy over this four-year period or these employees benefitted from using comp time in place of using sick leave in order to sell back sick leave. Keep in mind that employees do not have to earn comp time to sell back vacation or sick leave, but having the ability to use comp time in lieu of vacation or sick leave makes it more likely that employees can benefit from annually selling back vacation or sick leave.

Subsequent to the former Executive Director's resignation (and subsequent to the inception of this performance audit), PPA reinforced the existing policy regarding comp time. According to PPA officials, on November 17, 2016, the Human Resources Director sent a memorandum to each employee who was compensated at pay range A22 or higher, which stated:

The Employee Manual currently provides that employees at pay grade A22 are not eligible to compensatory time for extra hours worked except in extraordinary circumstances. However, this policy has been waived in many circumstances which are not emergencies.

Senior staff will no longer be eligible to earn compensatory time under normal circumstances. In emergency situations declared by the Mayor [of Philadelphia] or the Executive Director with notice to the Board Chair, senior staff may accrue compensatory time for hours worked, on an hour for hour basis, up to the limit set by law, currently 240 hours. In no case may any employee carry a balance of more than 240 hours of compensatory time. Senior staff may use compensatory time in the same manner as vacation time.

Based on our review of the leave records of these six employees from the date of the memorandum to April 30, 2017, we found that no one had earned comp time. Additionally, we found that the three Deputy Executive Directors had comp time leave balances of zero. The last time any of these three Deputy Executive Directors used comp time was on January 12, 2017. As of January 10, 2017, one Deputy Executive Director had used her comp time balance. For the remaining two Deputy Executive Directors, PPA provided emails, dated January 17, 2017 from these directors, requesting the Payroll Department to remove any comp time balance and stating that each Deputy Executive Director was not going to request future comp time under any circumstances.

With regard to employees (other than the three Deputy Executive Directors) that were compensated at pay range A22 or higher and had comp time previously earned, according to the above memorandum, employees could keep their comp leave balances if under 240 hours. For the employees that had comp time balances above 240 hours, a Deputy Executive Director sent individual emails to each employee on December 7, 2016, indicating the comp time balance for each employee and provided further instruction. If the employee's balance was less than 37.5 hours of comp time in excess of the 240 hour cap, the email stated that the employee would forfeit the excess hours if they were not used by December 31, 2016. On the other hand, if the employee's balance was more than 37.5 hours above the 240 hour cap, the email stated that the

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employee would be permitted “to use the comp time excess balance over calendar year 2017.” Additionally, the email stated:

Until the balance goes below 240 hours, you will not be permitted to earn any additional comp time. Any unused comp time above the 240 hour limit will be forfeited on January 1, 2018. At no time will any employee be permitted to earn comp time above the 240 hour limit.

According to PPA officials, the extension of one year to use the excess comp time leave balance was granted to certain employees because the employees had earned them in good faith under the procedures established by the former Executive Director. We agree with this decision and are encouraged by the steps that PPA has recently taken to comply with its policy. However, without incorporating and memorializing the changes to comp time within its Employee Manual, such as explaining under what conditions senior-level management can earn comp time and how comp time can be used, these guidelines provided in a memorandum may be lost over time.

Senior-level leave records manipulated by the former Executive Director

As noted above, as of November 2016, there were 31 employees that were paid at a pay range of A22 or above. We judgmentally selected 6 of the 31 employees to evaluate their leave records between July 1, 2013, and April 30, 2017, to ascertain whether their leave records had violated the PPA Employee Manual with respect to leave caps. Our judgement included selecting the three Deputy Executive Directors, the Director of Payroll (who controls the leave records), and two employees that had high leave balances.

Based on our review of the leave records for these six employees, we did not identify any unusual activity for one employee. For the remaining five employees, we identified the following manipulations (which were similar to the manipulations fully described in Finding 2):

- 2 employees’ vacation leave earned at the end of the calendar year that exceeded the maximum cap of 1,125 hours was reinstated at the beginning of the next calendar year. The hours reinstated ranged from 45 hours to 102 hours.
- 1 employee had an extra 44.82 hours added to his vacation leave balance on January 1, 2014, but the employee’s leave balance as of December 31, 2013, was not exceeded. No justification to support this additional leave recorded was provided by PPA.
- 2 employees had maximum caps established in the leave system of 450 hours for comp time and not the 240 hours as required by the PPA Employee Manual.

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- 1 employee's comp time earned at the end of the calendar year that exceeded the maximum cap of 240 hours was reinstated at the beginning of the next calendar year. The hours reinstated ranged from 198 hours to 250 hours.
- 4 employees appear to have earned an excessive amount of holiday comp time days beyond what could be earned per the PPA Employee Manual. One employee had an extra 60 hours (eight days) of holiday comp time. Holiday comp time can only be earned if a holiday falls on a Saturday.

As was noted in Finding 2, PPA provided some documentation that showed that the former Executive Director had directed leave balances to be reinstated or maximum caps in the system to be raised. For most other deficiencies, PPA management stated that the former Executive Director verbally communicated the changes. The documentation indicated that the former Executive Director had manipulated additional employees' leave balances (beyond the six employees we tested). For example, a March 21, 2014 memorandum from the former Executive Director directed the Payroll Department to establish comp time caps of 480 hours⁶⁴ for a total of six employees (only one is included above). That same memorandum also stated that three employees (none of who were tested above) who lost comp time at the end of calendar year 2013 should have their comp time restored. As a result, this manipulation of leave records by the former Executive Director went beyond his own personal gain. He utilized his authority to similarly direct the leave records of other senior-level management to be inappropriately manipulated, which was in non-compliance with PPA's Employee Manual. This activity is abusive and potentially fraudulent. Employees whose records have been manipulated are able to maintain an excessive amount of leave to use or that may be paid out at the time of separation from employment. We intend to forward our report to the Office of the Attorney General for possible investigation. Furthermore, when the former Executive Director manipulated his own senior management's leave records, he potentially did so for his own personal gain and beyond the already ample lawful leave benefits. We believe that he did so in possible violation of the Public Official and Employee Ethics Act (Ethics Act) and we will, therefore, refer this matter to the State Ethics Commission and provide a related recommendation at the end of this finding. Please see further discussion about the Ethics Act in Finding 2.

The former Executive Director failed to ensure that two hearing examiners were working the minimum 13-day per month requirement.

As previously noted, the former Executive Director had two part-time Hearing Examiners directly reporting to him during our audit period. One hearing examiner began employment with the PPA on January 3, 2011, while the other hearing examiner was hired on August 19, 2015.

⁶⁴ Maximum comp time caps in the leave system were set at 450 hours. PPA could not explain why the caps were set at 450 hours instead of 480 hours.

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Both examiners were presented with the following condition of employment as contained in their hiring acknowledgement letters:

... You will be required to work a minimum of thirteen 8 hour days each month, although your schedule will be flexible in order to achieve the goals of your position.

In other words, the Hearing Examiners were required to work a minimum of 104 hours (13 - 8 hour days) per month with salaries of approximately \$85,000 as of August 2015, this equates to \$7,083 per month or \$68 per hour.

Through inquiry, we found that unlike the other employees, these Hearing Examiners were not required to use the biometrics (time tracking) system to record when they started and stopped working each day (see Finding 2 for more information). Additionally, according to PPA officials, no manual entry into the time and attendance system was required to account for the number of hours these employees worked. As a result, the former Executive Director (or any other PPA employee) was not ensuring that the Hearing Examiners were, in fact, working the required minimum number of hours. PPA was automatically issuing biweekly paychecks whether the Hearing Examiners worked their required minimum hours or even if they worked at all.

Although PPA did not account for days and hours worked, we attempted to determine whether the examiners worked at least the required number of days each month by using other available sources. Specifically, we used the door scan reports⁶⁵ that electronically track when the examiners scanned their PPA ID badges to gain access into PPA facilities as well as the hearing examiner's calendar of hearings. We conservatively gave each Hearing Examiner credit for a full day if either the Hearing Examiner scanned into the facility or if a hearing was scheduled for that Hearing Examiner. The following table shows the results of our test work for the period February through October 2016:

⁶⁵ *Doors.NET Standard Edition reports.*

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Month in 2016	Examiner No. 1 Number of Days Worked	Examiner No. 2 Number of Days Worked
February	11	14
March	15	14
April	10	11
May	12	6
June	8	14
July	9	8
August	11	11
September	10	12
October	11	9

■ - Met the 13-day monthly requirement ■ - Did not meet the 13-day monthly requirement

Sources: This table was compiled by staff of the Department of the Auditor General from Doors.Net Standard Edition reports and TLDClerk electronic calendar. The Doors.Net Standard Edition reports are of undetermined reliability as noted in Appendix A. However, this data is the best data available and we performed certain tests of reasonableness of this data. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding, conclusions, and recommendations.

Overall, as noted above, of the 18 months reviewed, the two Hearing Examiners only met the 13-day monthly requirement a combined total of four months (22 percent). Keep in mind that we could not determine the number of hours that each Hearing Examiner worked each day. However, based on the number of days worked per month, we question whether the Hearing Examiners actually worked the minimum required number of hours each month.

Although PPA could not provide a reason as to why the Hearing Examiners were not required to use the biometrics system to account for their hours worked, based on our inquiry, according to a PPA official, as of March 2017 PPA began requiring the Hearing Examiners to use the biometrics system to account for their time worked. Additionally, PPA indicated that all other employees are required to use the biometrics system, but we did not validate this statement. Without requiring employees to account for time worked, especially part-time employees, PPA may have been overpaying employees for hours not actually worked.

Recommendations for Finding 3

We recommend that PPA's Board:

1. Amend its Employee Manual regarding compensatory (comp) time to specifically include:
 - a. Which positions are not permitted to earn comp time under any circumstances.

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- b. Define what constitutes “extraordinary circumstances” and who can authorize the approval of such circumstances for comp time for employees at pay range A22 or higher.
 - c. How comp time can be used and whether or not pre-approval is necessary.
 - d. A statement that no one can waive any aspects of this policy without prior Board approval.
2. Develop controls for periodically monitoring the earning and using of comp time to ensure compliance with the policy by all employees.
3. Consider whether comp time should be offered to management at pay ranges below A22 or under what conditions.
4. Consider whether management should be permitted to annually sell back illness (sick) leave and vacation leave.
5. Require the Internal Auditor and/or Payroll Department personnel to review leave records for at least employees at pay range 22 or higher who separate from employment prior to processing their leave payout to ensure that the leave payout is proper and complies with PPA’s Employee Manual.

We recommend that the PPA:

6. Require all employees account for their time and attendance through its biometrics system, especially part-time employees.
7. Consider requiring the two Hearing Examiners to justify their hours worked at least between February and October 2016 or request reimbursement for hours not worked.

We refer this matter to the Office of Attorney General and kindly request that the Office:

Closely review the former Executive Director’s actions regarding his adjustment of senior management’s leave records, to ensure compliance with the Crimes Code and to pursue a course of action as it deems fit.

We refer this matter to the State Ethics Commission and kindly request that the Commission:

Closely review the former Executive Director’s actions regarding his adjustment of senior management’s leave records, to ensure compliance with the Ethics Act with regard to possible conflicts of interest and to pursue a course of action as it deems fit.

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Finding 4 – PPA’s lack of Board oversight, outdated and ineffective employment policies, and a lack of training contributed to sexual harassment allegations against the former Executive Director not being adequately addressed.

As indicated in our audit objective, this audit was to specifically address policies and procedures related to prohibiting sexual harassment and discrimination in the workplace as part of auditing the effectiveness of PPA’s employment policies and procedures. This focus stemmed from the publicized occurrences of alleged sexual harassment at the PPA by the former Executive Director, which culminated in his resignation on September 28, 2016.

As part of our audit, we interviewed various PPA employees with knowledge related to these incidents, including the complainant who filed the 2015 complaint against the former Executive Director, the Board Chairman, both Deputy Executive Directors, and the Assistant to the former Executive Director. We also evaluated PPA’s employment policies and procedures regarding sexual harassment and discrimination. Additionally, we reviewed PPA’s Board meeting minutes throughout the audit period and other related documentation. We did not however, attempt to interview nor correspond with the former Executive Director.

Based on our audit procedures, we found the following:

- The Board failed to oversee the activities, actions, and performance of the former Executive Director. This issue is explained as part of Finding 1 within this report.
- The existing sexual harassment and discrimination policy lacked guidance and specific statements such as expressing that sexual harassment in the work place will not be tolerated.
- Employment policies had not been updated since 2007. The policies related to sexual harassment and discrimination were dated 2006.
- No sexual harassment and discrimination training was conducted from at least 2006 through October 2016.

Before further describing the above-noted policy and training deficiencies, we first summarize below the events that preceded the former Executive Director’s resignation.

Events that preceded the former Executive Director’s resignation

During his tenure, the former Executive Director had two sexual harassment complaints filed against him by two different female employees. The former Executive Director was in that position over ten years-from January 5, 2006, through September 28, 2016. One sexual harassment complaint was filed by a female employee in June of 2015. The other complaint was

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reported to have been filed by another female employee and brought to the attention of PPA's Chief Counsel's Office in 2006.

We will first provide a brief timeline and outline regarding the 2015 complaint; including what led up to filing the complaint and the actions PPA took after the complaint was filed:

Date	Summary of Activity
June 17, 2015	<p>Complainant informed a Deputy Executive Director that she was the subject of unwanted sexual advances by the Executive Director over a prolonged period of time. She decided to speak up after an incident that occurred on June 8, 2015 at a conference. She did not want to attend an upcoming conference with him. She said that she had made it clear on numerous occasions that she was not interested in a relationship with him beyond the professional relationship appropriate to their work. She did not want to file a formal complaint, but wanted the inappropriate behavior to stop.</p> <p>The Deputy Executive Director stated that he spoke to the Executive Director suggesting the need to minimize contact with the claimant, which was agreed to by the Executive Director. The Deputy Executive Director then spoke to the claimant letting her know what was agreed upon.</p>
June 18, 2015	<p>The Complainant said the Executive Director came to her office that day about a problem, despite the Executive Director agreeing to not have any work conversations without the Deputy Executive Director present. As a result, the Deputy Executive Director told the Complainant that from that point forward the Complainant should report to Deputy Executive Director on all work-related matters and that the Deputy Executive Director would tell the Executive Director not to speak to the Complainant under any circumstances. The Deputy Executive Director spoke to the Executive Director who agreed to have no further interactions with the Complainant.</p>
June 19, 2015	<p>The Deputy Executive Director asked the Complainant in the morning about whether she had given any further thought to filing a formal report. The Complainant replied that she was overwhelmed and just wanted to let things settle. On June 19, 2015 however, the Complainant filed a formal complaint with PPA's Human Resources Department. After receiving a copy of the complaint, the Deputy Executive Director spoke to the General Counsel, the Board Chairman, and Special Counsel to the Chairman. It was agreed that an independent investigator (outside law firm) should be hired to conduct an investigation.</p>
July 21, 2015	<p>Complainant's personal attorney sent a letter to PPA's general Counsel advising the PPA that the Complainant was prepared to file an Equal Employment Opportunity Commission claim or federal lawsuit against PPA to make certain "that proper steps are taken to make sure that such conduct [as identified in her HR complaint] never again occurs, and that she is compensated for the damages that she has sustained." According to General Counsel, the complainant's attorney verbally indicated that she was seeking the immediate termination of the Executive Director and a cash payment for her damages. General Counsel advised the attorney that the PPA Board would impose appropriate discipline and no monetary payment would be forthcoming.</p>

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July 22, 2015	The PPA Board formally informed the Executive Director of the conclusion of the investigation and established a list of 13 conditions that, if not complied with, would result in termination. The Executive Director signed the formal letter of reprimand.
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Sources: Based on documentation and testimonial evidence gathered from interviews with various PPA employees.

According to PPA officials, the Executive Director complied with the list of conditions contained in the July 22, 2015, letter of reprimand.

In September 2016, several articles were published in Philadelphia newspapers⁶⁶ exposing the inappropriate behavior and sexual harassment committed by the former Executive Director and how the PPA Board addressed his inappropriate conduct in 2015 (i.e. instead of terminating him, he was required to meet several conditions to prevent him from harassing any other employees). Due to the negative publicity that evolved because the Board did not terminate the former Executive Director, a special meeting of the PPA Board was held on September 27, 2016, and the Chairman issued a statement defending the actions taken by the Board in July 2015 that the Board's "goal was rehabilitation not just retribution." That same day however, news reports surfaced regarding a 2006 sexual harassment complaint filed by a different female employee against the former Executive Director. As a result, the Chairman announced that the now former Executive Director was immediately suspended and would recommend that he be terminated at the September 29, 2016 Board meeting.⁶⁷ At that meeting, the Chairman submitted in writing the following statement, in part:

After the second allegation came to our attention, I suspended [the Executive Director] from his position with the intent to ask the Board to terminate him today. He chose instead to resign. I am publicly accepting his resignation today.

It appears that it took pressure by the press and the disclosure of an additional case from 2006 of a sexual harassment complaint to come forward to force the PPA Board to terminate the Executive Director for the sexual harassment allegations.

Inadequate and outdated sexual harassment policy and lack of training

From July 1, 2014 through October 2016, there were three additional individuals who filed sexual harassment complaints with the PPA against other employees. During that period, PPA's

⁶⁶ *Parking Authority boss ticketed after sexual harassment investigation*, Mike Newall, philly.com, published September 22, 2016, *Councilman defends Parking Authority's decision not to fire director accused of sexual harassment*, Tricia L. Nadolny and Julia Terruso, philly.com, published September 23, 2016.

⁶⁷ *Second woman says she was sexually harassed by Philly parking boss*, Mike Newall, philly.com, published September 27, 2016, *Parking Authority board reverses itself: It was told of 2006 sexual harassment complaint*, Mike Newall, philly.com, published September 29, 2016.

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Employee Manual (section 409) contained a section entitled *Sexual Harassment*. This section, dated June 2006, and lacking any updates, included the following two subsections:

Section 409. Sexual Harassment

- A. Sexual harassment includes unwanted sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature toward another employee or member of the public, regardless of gender, when:
 - 1. Submission to such conduct is made explicitly or implicitly as a term or condition of an individual's employment;
 - 2. Submission to or the rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual; or
 - 3. Such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive work environment.

- B. The following are illustrations of conduct that may constitute sexual harassment:
 - 1. Threatening adverse employment action if sexual favors are not granted;
 - 2. Promising preferential treatment or advancement in return for sexual favors;
 - 3. Unwanted and unnecessary physical contact;
 - 4. Sexually offensive remarks, including inappropriate remarks about appearance, obscene jokes or other inappropriate use of sexually explicit or offensive language;
 - 5. The display in the workplace of sexually suggestive objects, pictures, posters, or reading materials;
 - 6. Demeaning, insulting, intimidating or sexually suggestive written, recorded, or electronically transmitted messages;
 - 7. Unwelcome sexual propositions or advances.

This is not meant to be an exhaustive list of prohibited conduct that may constitute sexual harassment. Violations of this section may lead to disciplinary action up to and including termination.

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Although Section 409 generally defined what sexual harassment is and the potential consequences if violations occur, the policy did not address the following:⁶⁸

- Explaining how the employer will help prevent and/or address violations of their policy.
- Expressing strong disapproval-make it clear by telling all employees that sexual harassment will not be tolerated at the PPA.
- Establishing how the employer and employee should respond to incidents of sexual harassment.
- Informing employees of their rights and how to raise the issues.
- Incorporating a detailed mechanism by which employees can make complaints when sexual harassment occurs and how the employer will address the sexual harassment complaint.
- Stating that retaliation against any person who has filed a sexual harassment complaint or who has participated in a sexual harassment investigation is strictly prohibited.

Additionally, PPA management acknowledged that no sexual harassment training had been conducted from at least 2006 through October 2016. The Pennsylvania Human Relations Commission states that prevention is the best tool for the elimination of sexual harassment.⁶⁹ Failure to have an adequate sexual harassment policy and training increases the risk that sexual harassment will occur in the workplace. This can create a hostile and intimidating environment and negatively impact work productivity.

In light of the publicized events surrounding the former Executive Director, on October 13 2016, in a special Board meeting, the PPA Board approved and adopted a revised sexual harassment policy. This revised policy added a subsection (Section 409.1) entitled *Reporting and Review* as well as amended the language in Section 409. Based on a cursory review of this new policy, we found that PPA has, at least minimally, addressed the items noted above; however, we note that this policy does not state that training will be used as a mechanism for helping to prevent sexual harassment. Because the PPA has contracted with a consultant to review all of its revised employment policies (which was still in process during our audit), we did not perform an extensive review of the new policy.

Although training is not defined in the policy, management has provided documentation showing that between November 2016 and February 8, 2017, based on our review of training sign-in sheets, PPA has provided sexual harassment training to approximately 425 union and management employees, or 39 percent of PPA's approximately 1,100 employees. The sexual harassment training was conducted by the City of Philadelphia's Equal Opportunity Office of the Office of Human Resources. We obtained the presentation, which identifies the objectives of the

⁶⁸ <http://hrlibrary.umn.edu/svaw/harassment/explore/5prevention.htm> (accessed April 24, 2017).

⁶⁹ <http://www.phrc.pa.gov/Resources/Law-and-Legal/Documents/Policies%20and%20Guidelines/Sexual%20Harassment%20Guidelines.pdf> (accessed April 24, 2017).

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training: defining sexual harassment, understanding the role of supervisors and managers when dealing with a situation involving possible sexual harassment; avoid acting in a manner that might be interpreted as sexual harassment; recognize behaviors that may constitute sexual harassment; and explain sexual harassment to other supervisors, coworkers and non-employees, and communicate to employees their legal rights and the appropriate procedures to follow if they believe that they are being harassed. We commend PPA for beginning to conduct sexual harassment training.

As part of our inquiry regarding training, management acknowledged that PPA does not have a mechanism or system in place for tracking training received by employees besides having sign-in sheets. Although sign-in sheets are important for providing proof that an employee participated in training, sign-in sheets alone do not ensure that everyone has actually taken a particular training course. For example, an Excel spreadsheet could be used to track when employees took a particular training course. Without a tracking mechanism for training, PPA will not be able to easily identify who has taken the course and conversely who still needs to take the course.

Inadequate and outdated discrimination policy and lack of training

From the inception of our audit period through October 2016, PPA addressed discriminatory behavior in two sections within its Employment Manual: Sections 401 and 408, both dated June 2006.

PPA's Employee Manual Section 401, entitled *Equal Employee Opportunity Policy*, states:

- A. It is the policy of the Philadelphia Parking Authority to provide equal opportunity in employment to all employees and applicants for employment. No [person] will be discriminated because of race, color, religion, gender, sexual orientation, marital status, age, national origin, or disability. It is the policy of the authority to comply with all applicable local, state, and federal laws and regulations regarding equal employment opportunity.
- B. This policy applies to all terms, conditions, and privileges of employment, including but not limited to hiring, probationary period, training, orientation, promotion, transfer, compensation, benefits, educational assistance, layoff and recall, employee facilities, termination, and retirement.

PPA's Employee Manual Section 408, entitled *Harassment*, states:

- A. Unlawful harassment on the basis of race, color, religion, gender, sexual orientation, marital status, age, national origin, or disability and will lead to severe disciplinary action up to and including termination.

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1. As a guideline, unlawful harassment is defined as verbal or physical conduct that denigrates or shows hostility or aversion toward an individual because of his or her race, color, religion, gender, sexual orientation, marital status, age, national origin, or disability or any other factor, or that of his or her relatives, friends or associates, and that:
 - a. Has the purpose or effect of creating an intimidating, hostile or offensive work environment;
 - b. Has the purpose or effect of unreasonably interfering with an individual's work performance; or
 - c. Otherwise adversely affects an individual's employment opportunities.
2. Harassing conduct includes, but is not limited to: insults, derogatory statements, negative stereotypes, and threatening, intimidating acts that are related to race, color, religion, gender, sexual orientation, marital status, age, national origin, or disability, or any other factor. This includes "jokes" or "pranks" that are hostile or demeaning. This is not meant to be an exhaustive list of the conduct that may constitute harassment.

Additionally, PPA's Employment Manual contained Section 417 entitled *Dispute Resolution/Grievance Procedure*. This policy stated that harassment was one type of issue that was covered by the policy. That policy included a three step process where the employee would first bring the matter to his/her immediate supervisor, or to the employee's next level for the matter to be investigated, and if not satisfactory, could be appealed to a deputy executive director or executive director who would investigate the matter and will give a written, final binding decision to all parties as soon as practicable.

Although PPA's policies noted above broadly state that employees will not be discriminated against and that PPA will comply with all applicable laws and regulations; defines unlawful harassment and provides examples; and establishes a three step process for addressing harassment issues, PPA's policies did not address the following:⁷⁰

- Language regarding the policy's application of its protections beyond the workplace. It should apply anywhere employees act on behalf of the employer (e.g., at an off-site client meeting) or attend an employer-sponsored event (e.g., holiday party).
- Encourage employees to report discriminatory conduct through the appropriate channels. Employees must believe that they can complain without fear of reprisal in any form, and

⁷⁰ <http://www.xperthr.com/how-to/how-to-prevent-discrimination-in-the-workplace/5561/> (accessed April 24, 2017).

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that the employer will issue the appropriate sanction, including termination, against any individual found to have discriminated, harassed or retaliated.

- Outlining of the employer's investigation procedures.
- Promote confidentiality.

Similar to the lack of training related to sexual harassment, PPA management acknowledged that no discrimination training was conducted for any PPA employees from January 2006 through October 2016. Failure to have an adequate discrimination policy and training increases the risk that discrimination will occur in the workplace. This can create a hostile and intimidating environment and negatively impacts work productivity.

PPA provided the 15 discrimination complaint documents that were filed with the U.S. Equal Employment Opportunity Commission (EEOC)⁷¹ and/or the Pennsylvania Human Relations Commission (PHRC)⁷² between July 1, 2014 and October 31, 2016.⁷³ We attempted to independently confirm with the EEOC and the PHRC that this was the entire population of discrimination cases filed; however, due to confidentiality restrictions, the EEOC and PHRC could not provide confirmation. The 15 cases were related to one of the following categories: disability, race, or age. According to a PPA official and records provided by the PPA, four complaints were settled, eight were closed/resolved, and three were still under review by the EEOC.

According to the PPA, all of the employees involved in the 15 discriminations filed their complaints directly with the EEOC or PHRC without prior notification to PPA's Human Resource Department. According to the PPA, discrimination complaints are filed with the EEOC by the employee. Once an employee contacts EEOC, the EEOC contacts PPA and the incident is turned over to the PPA's legal department to generate a response.

Additionally, the PPA acknowledged that it has not designated an EEOC Officer. The main function of an EEOC Officer is to ensure that the agency does not discriminate against employees. To fulfill this responsibility, the EEOC Officer should attend discrimination training

⁷¹The U.S. Equal Employment Opportunity Commission (EEOC) is responsible for enforcing federal laws that make it illegal to discriminate against a job applicant or an employee because of the person's race, color, religion, sex (including pregnancy, gender identity, and sexual orientation), national origin, age (40 or older), disability or genetic information. It is also illegal to discriminate against a person because the person complained about discrimination, filed a charge of discrimination, or participated in an employment discrimination investigation or lawsuit. <https://www.eeoc.gov/eeoc/> (accessed April 24, 2017).

⁷² The Pennsylvania Human Relations Commission, or PHRC, enforces state laws that prohibit discrimination: the Pennsylvania Human Relations Act, which covers discrimination in employment, housing, commercial property, education and public accommodations; and the Pennsylvania Fair Educational Opportunities Act, which is specific to postsecondary education and secondary vocational and trade schools. <http://www.phrc.pa.gov/About-Us/Pages/About-PHRC.aspx#.WP3809TD9IA> (accessed April 24, 2017).

⁷³ These are different from the four sexual harassment complaints noted in the sexual harassment section of this finding.

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to gain an understanding of the related laws and regulations. Once trained, the EEOC Officer would ensure that the agency's policies and procedures for processing discrimination complaints are appropriate, and would make sure that the agency complies with the procedures. Additionally, the EEOC Officer would track and monitor/investigate any complaints.⁷⁴

In addition to revising its sexual harassment policy on October 13 2016, the PPA Board also approved and adopted a revised harassment policy and dispute resolution/grievance procedure. The revised harassment policy added a subsection (Section 408.1) entitled *BULLYING* as well as amending the language in Section 408. The revised Section 417 adds procedures that specifically address how to make a complaint regarding discrimination, bullying, harassment, etc., and includes details about the investigation process. Based on a cursory review of this new policy, we found that PPA has, at least minimally, addressed the items noted above, with the exception of applying the discrimination policy beyond the workplace. Once again, we saw that this policy does not state that training will be used as a mechanism for helping to prevent discrimination. Because the PPA has contracted with a consultant to review all of its revised employment policies, we did not perform an extensive review of the new policy.

Although training is not required per the policy, management has provided documentation showing that between November 2016 and March 2, 2017, based on our review of training sign-in sheets, PPA has provided diversity training to approximately 125 union and management employees, or 11 percent of PPA's approximately 1,100 employees. The diversity training was presented by a third party. The objectives of the training included providing a clear understanding of what diversity is and what it isn't; raising greater awareness and sensitivity to diversity issues that go well beyond the assumed categories; and recommending behavioral tools for fostering a more cohesive workplace. Within the presentation, there are slides that talk about discrimination and harassment; however it does not specifically address PPA's policies nor does it address what employees should do if they believe that they have been discriminated against or harassed. We commend PPA for beginning to conduct diversity training, but recommend that it modify its policies to include our recommendations.

Recommendations for Finding 4

We recommend that the PPA:

1. Revise and update its employment policies and develop a timetable for ensuring through a regular review process that the policies remain current.
2. Consider adding language to Section 409 to include training as an integral mechanism for PPA to help provide sexual harassment in the workplace awareness to all employees.

⁷⁴ <https://www.dol.gov/oasam/programs/crc/rnr.htm> (accessed May 4, 2017).

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3. Consider adding language to Section 408 to include training as an integral mechanism for PPA to help make employees aware of and possibly prevent discrimination (harassment) in the workplace.
4. Consider adding language to Section 408 to include how the policy applies beyond the workplace.
5. Establish a deadline for ensuring all current PPA employees receive sexual harassment training.
6. Establish a deadline for ensuring all current PPA employees receive diversity/discrimination training.
7. Consider revising the diversity training presentation to specifically address PPA's policies regarding discrimination and to address what employees should do if they believe that they have been discriminated against or harassed.
8. Develop a process and procedure for tracking employment training (beyond sign-in sheets) for PPA employees to ensure all employees have received required training, including sexual harassment and diversity/discrimination training.
9. Assign responsibility as to who specifically is responsible for tracking training attendance.
10. Provide sexual harassment and diversity training to all future employees as they are hired.
11. Establish a timeframe for periodically providing refresher sexual harassment and diversity training to all employees.
12. Consider designating an employee as the EEOC Officer for the PPA.

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Finding 5 – PPA’s hiring practices show a closed hiring process totally controlled by the former Executive Director.

According to the bylaws of the Philadelphia Parking Authority (PPA), the Board shall employ an Executive Director who, among other responsibilities, shall “Employ such personnel as he deems necessary to exercise and perform the powers, duties, and functions of the Authority and prescribe their duties and fix their compensation.”⁷⁵ However, during the audit period, we found that the former Executive Director⁷⁶ did not delegate the responsibility of hiring employees to anyone. As a result, the former Executive Director was able to control the entire hiring process, including who was interviewed and ultimately, who was hired in all positions.⁷⁷ This may have created a culture that allowed PPA to violate its Equal Employment Opportunity Policy (policy), which states, in part:

It is the policy of the PPA to provide equal opportunity in employment to all employees and applicants for employment... This policy applies to all terms, conditions, and privileges of employment, including but not limited to hiring, probationary period, training, orientation, promotion, transfer, compensation, benefits...⁷⁸

Based on our audit procedures, we found that PPA’s hiring practices indicate a “closed” hiring process.⁷⁹ Specifically, we found the following:

- The former Executive Director personally selected who was interviewed, personally conducted all the interviews, and made all the hiring decisions.
- The former Executive Director created an undocumented informal process of bringing forward the need to fill or create positions within PPA.
- Lack of transparency regarding available entry-level job openings.
- PPA’s Human Resources (HR) Department failed to validate prospective employees’ references, prior work experience, and education level.

Having a “closed” and secretive hiring process results in not hiring the most qualified candidates for particular job positions. Additionally, this closed process allows individuals to hire relatives (nepotism) or to hire political associates (cronyism) who may or may not be qualified for the positions they are hired, rather than assessing all candidates equally. This process can also result

⁷⁵ Article III. Officers. Section G. Employment of Personnel. (1) (IV), November 2006, July 2015, and December 2015.

⁷⁶ The former Executive Director resigned on September 28, 2016. See Finding 4 for more information.

⁷⁷ As noted in Finding 1 in July 2015, the Board created a Human Resources Committee to oversee the hiring of high level positions, but that did not resolve the issues noted in this finding.

⁷⁸ Section 401 of PPA’s Employee Manual.

⁷⁹ A closed hiring process is one that is not open to all potential candidates. Instead, management restricts who is interviewed and it is not necessarily based on qualifications, rather who the person is or who the person knows.

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in discriminatory hiring practices (i.e., not providing equal opportunity for employment to all applicants),

Government entities are entrusted with public resources and are responsible for providing service to the public effectively, efficiently, ethically, and equitably. Being transparent and accountable in all aspects of government operations, including hiring, brings confidence to the people the entity serves. However, having a “closed” hiring process rather than a fair and open hiring process calls into question the entity’s professionalism and integrity and accountability.

In the sections below, we will describe our concerns regarding each of the above practices.

The former Executive Director personally selected who was interviewed, personally conducted all the interviews, and made all hiring decisions.

Based on interviews with the HR Director and a Deputy Executive Director, it appears that the former Executive Director had his own source of applications/candidates from which he selected to interview and hire. Additionally, these interviews found that the former Executive Director would conduct the initial interview himself or with one or more of the Deputy Executive Directors. Once the initial interview was completed, if the Executive Director made the decision to hire the individual, he would directly hand or submit the PPA application to the HR Director for the HR Department to process the hiring paperwork and conduct pre-employment testing (see Finding 6 for more information on the HR hiring process).

The HR Director indicated that most of the approved applicants’ PPA applications provided by the former Executive Director did not come from the population of employment applications maintained by the HR Department. The HR Director had no knowledge of how the Executive Director obtained these other completed PPA applications. In other words, most individuals selected for hire did not come from individuals who submitted applications through the normal process (discussed below) and whose applications were retained by the HR Department. This indicates that the former Executive Director had other unknown means of obtaining applications and used those to hire most employees.

The former Executive Director also did not interview multiple applicants to fill individual positions. According to the HR Director, applicants selected by the former Executive Director for interviews were hired, unless they failed drug testing or criminal background checks coordinated by HR.⁸⁰ Therefore, in addition to the applicants being hand-selected for interviews by the former Executive Director, hiring decisions appear to have been made without consideration for selecting the best candidate from a group of candidates. This process by the former Executive Director of controlling and conducting all interviews and obtaining candidates outside the normal process indicates a manipulated and closed hiring process.

⁸⁰ See Finding 6 for more information.

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The former Executive Director created an undocumented informal process of bringing forward the need to fill or create positions within PPA.

Interviews with PPA officials revealed that the need for filling position vacancies or openings and also the need to create positions was communicated up the chain of command from the manager level through the deputy executive directors to the Executive Director. There was no documentation supporting the described process. According to a Deputy Executive Director, the former Executive Director purposely did not want this process documented. As a result, the need for positions to be filled was passed along verbally by a Deputy Executive Director to the Executive Director, who kept notes on index cards when discussions occurred regarding staffing needs.

As part of our audit, we selected and tested 60 of 382 employees who were hired between July 1, 2014, and October 31, 2016.⁸¹ We asked for documentation from PPA as to which new employees were hired to fill vacant positions and which new employees filled additional or newly-created positions. PPA provided a listing that identified 54 of the new employees were hired to fill vacant job positions and 6 were hired to fill newly-created positions. With regard to the six newly-created positions, PPA provided an explanation for why four of them were created. However, PPA did not provide any documentation, which described the justification for needing each newly-created position and written approval for that newly-created position, for us to verify the stated explanations. According to a Deputy Executive Director, PPA has no standard forms to request the need to create or fill a position opening, nor did PPA have a policy and written procedures regarding this process. Further, the HR Department, which would normally be the conduit for PPA departments to request the need to fill positions, played no part in this process. Without having this documentation, there was no evidence as to the following:

- Who requested the position to be filled or created.
- Justification for why the position needs to be filled or created.
- Documented approval that the position could be filled or created.

Additionally, without having a formal policy and written procedures, PPA increases the risk that the former Executive Director could have created positions for individuals he wanted to hire even though there was no need for such a position. Although, we did not identify any such instances, according to a Deputy Executive Director, he could not confirm that there was never a time when a position was created by the former Executive Director.

⁸¹ See Finding 6 for how we selected these employees.

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Lack of transparency regarding available entry-level job openings.

According to a Deputy Executive Director and HR Director, the PPA does not internally or externally post any openings for entry-level positions covered by either the collective bargaining agreement or management positions. Based on our review of the collective bargaining units, entry-level positions are not required to be posted.

This process appears to be consistent with PPA's Employee Manual, section 403, entitled *Announcement of New Positions*, which states, in part:

Some job openings are announced within the Authority as promotional opportunities for current employees. The Authority reserves the right to determine which jobs are posted beyond those required by the collective bargaining agreements.

As a result, the general public and PPA employees were not aware of or informed of any openings for entry-level employment within the PPA and, as such, this practice did not allow all qualified and interested candidates to be formally notified of available entry-level job positions. The PPA's lack of transparency on job openings left the majority of PPA employees and the public in the dark as to potential employment opportunities with the PPA. The practice in place during the audit period left only a select few executive-level managers within the inner circle of the former Executive Director aware of entry-level position openings.

PPA's HR Department failed to validate prospective employees' references, prior work experience, and education level.

PPA's Employee Manual, Section 102, *Qualification for Employment*, states in part, "All applicants are judged on their education, training, prior experience, temperament, and other factors relevant to the job they are seeking." As a result, based on this policy, it would appear reasonable that the HR Department would validate prior work experience, education and temperament as part of the hiring process.

However, PPA's employment application does not contain a section requiring the applicant to provide any personal character references to be contacted prior to hiring. According to the HR Director, the PPA does not contact character references, nor does it contact previous employers to verify previous work experience and temperament. Further, PPA does not require the applicant to provide documentation verifying the educational institution(s) attended and, if applicable, the degree or diploma attained. As a result, the PPA is relying only on the information expressed by a candidate during the interview to ensure that the candidate is qualified for the position they are seeking, without independently validating any information. This is not a good business practice.

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Based on our inquiry as to why the HR Department did not perform these validations, the HR Director could not explain, noting that it is normal protocol to not perform any validations. Without validating experience, education and temperament, the PPA increases the risk that the prospective employee may not be qualified or may not have a temperament that the PPA would want to employ. Therefore, we believe that the PPA is not complying with Section 102 of the PPA's Employee Manual as well as providing equal opportunity in hiring.

Recommendations for Finding 5

We recommend that the PPA:

1. Create a culture that instills transparency, openness, and fairness as the foundation of its hiring process.
2. Establish that the HR Department control all aspects of the hiring process, which would include the following:
 - a. Distributing and collecting and maintaining employment applications.
 - b. Receiving the requests to fill job openings or create additional positions.
 - c. Providing candidates' applications to respective department managers for selecting candidates to interview.
 - d. Receiving the written results of interviews (e.g., recommendations) from department managers.
 - e. Bringing post-interview job recommendations to a Deputy Executive Director and Executive Director for discussion and written approval or disapproval.
 - f. Handling pre-employment testing and validating prior work experience, temperament, and education by contacting references and prior employers as well as obtaining verification of education, if necessary, based on the position.
3. Require the respective department managers to interview candidates that they believe will best fit the available job positions using the employment applications maintained at the HR Department.
4. Prohibit the Executive Director from interviewing candidates unless they are at a department manager level or higher.
5. Establish a formal process in policy with written procedures for all aspects of the hiring process, including how to request to fill a position and how to create a new position.

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6. Develop a standard form(s) for department managers to request to fill positions or to request to create new positions. The form(s) should include the position to be filled or created, the justification for filling the position, and signature lines as to who requested the position be filled and who should be approving the position.
7. Ensure that the HR Department retains the form(s) noted in item 6 above to ensure that an audit trail regarding the need for this position is maintained.
8. Consider posting entry-level positions on its website so the general public and PPA employees are aware of what positions are available at the PPA.
9. Consider revising its employment application to include a section with personal references.

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Finding 6 – Lack of adequate policies, procedures, and supervisory oversight has led to ineffective due diligence in screening potential new employees.

As part of evaluating the hiring practices of the Philadelphia Parking Authority (PPA), we assessed whether all required pre-employment verifications were completed by PPA's human resources (HR) department prior to an employee's hire date. We also performed procedures to determine whether certain documentation was properly signed and retained in a respective employee's file maintained by HR.

We requested HR's policies and written procedures for how a new hire is to be processed and what information is needed prior to the new employee's hire date. The HR Director could not provide any policies, but did provide us with HR's Standard Operating Procedures Manual (manual). With regard to processing new hires, the manual contained procedures for conducting drug and alcohol testing (drug testing) and procedures for hiring full-time and part-time employees. The new hiring procedures included the following: a listing of forms the employee needs to complete, how to issue ID badges, and a section on processing employees. The section on processing employees categorized employees by collective bargaining unit or type of employee and identifies for each type items such as what pay group to use, type of insurance offered, and the number of hours to be worked per week.

We met with the HR Director and gained an understanding of the HR pre-employment process, including what documents are to be retained within a new employee's HR file. We noted that there were several procedures not included in the manual that should be, such as performing background checks and requiring individuals hired for certain job classifications to take a written exam. Without adequate standard written procedures for all hiring processes, management increases the risk that procedures will not be performed or not be performed properly.

Subsequent to our meeting with the HR Director and our initial testing, a Deputy Executive Director provided us with a written policy dated June 22, 1995, along with documentation showing that the policy was approved by the Board, stating that PPA employees hired as Parking Enforcement Officers (PEO), Off-street Cashiers, and Airport Monitors must have a valid driver's license, must have a physical examination, must pass a drug screening test, and have no criminal record, established through passing a criminal background check.

When we showed this policy to the HR Director, the HR Director stated that he had never seen it, even though he had been the HR Director since 2001. Further, the HR Director indicated that since 2013, physical examinations have been required for certain job classifications, including PEOs, but that the policy was not in writing, only verbally approved by the former Executive Director. Because we were not aware of the physical examination requirement until after our testing was completed, we did not perform testing to determine whether physical examinations were performed for the classifications required.

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With regard to HR's policies, the PPA does not have a standard method for collecting and compiling all policies into one written document/manual. Additionally, all HR policies are not in writing and approved by the Board. Nor have they been properly distributed to employees with confirmation that employees have received and reviewed the same. Unwritten or lack of consolidated policies can result in policies not being followed or policies being followed on an inconsistent basis.

Requirements for pre-employment testing and documents to be signed and/or retained in the HR employment files.⁸²

Because HR's manual does not contain procedures related to new hire requirements; in order to gain an understanding of what PPA requires and what documentation needs to be retained, we interviewed the HR Director. According to PPA's HR Director, prior to a potential employee commencing work at the PPA, each potential employee has to pass the following pre-employment tests:

- No outstanding fees or fines are owed to the PPA.
- Background check clearance from the Pennsylvania State Police.
- Background check clearance from the Philadelphia Police Department.
- Pass drug tests.
- Pass a written test for certain job classifications.

The results of these tests are to be documented and retained by HR either in the employee's HR file or a separate file (collectively referred to as employee's files within this finding).

In addition, the HR Director indicated that the employee needs to complete the following documents that must be retained in the employee's files:⁸³

- Completed application.
- Form I-9.⁸⁴
- Verification signed by the employee acknowledging that he/she has read and understand the PPA Employee Manual.
- Valid driver's license for certain job classifications.

⁸² Based on our initial interviews with the HR Director.

⁸³ We did not include tax forms as part of our testing or include the required tax forms in this list.

⁸⁴ According to the US Citizenship and Immigration Services, Form I-9 is used for verifying the identity and employment authorization of individuals hired for employment in the United States. ... Both employees and employers (or authorized representatives of the employer) must complete the form. <https://www.uscis.gov/i-9> (accessed March 13, 2017).

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Also, the HR Director stated that the employee's files should contain the following:

- Letter signed by the Executive Director addressed to the employee stating the individual's salary, position, and starting date.
- Employee action form signed by the HR Director, the Executive Director, and the Human Resources Committee (HR Committee) in certain instances (see Finding 1 for additional information about the HRC). The employee action form is the document used by the staff who perform payroll activities to create the employee in the payroll system, which will allow the employee to get paid.

Supervisory oversight of the pre-employment process and ensuring that the employment files contain all required documentation is weak. The HR Director stated that he concentrates on ensuring that the background check clearances and drug screening are completed. He does not ensure that the other documents are complete and or properly retained. Failure to perform a complete review of the employment file increases the risk that required documents will not be included or that documents are not signed. As described below, our test results confirm that this occurred in several instances.

Based on the above information, we judgmentally selected 60 of the 382 employees that were hired from July 1, 2014 to October 31, 2016. Our judgement included selecting employees with different job classifications, selecting employees that were hired throughout the period, and selecting employees with last names associated with either senior management, PPA board members, or Philadelphia City Council members. We excluded employees that were hired as interns or had been previously hired by PPA. The remainder of this finding discusses our results.

Pre-Employment Testing Results

Insufficient evidence was found to ensure that most of the new hires did not owe any outstanding fees or fines to the PPA. We found that of the 60 new hires tested only 8 (13 percent) had a printout in the file that showed the individual did not owe any outstanding fees or fines to the PPA. For the remaining 52 new hires (87 percent), there was only a hand written note, but no documentation support, which indicated that the individual had no outstanding PPA fines and fees. These notes were not initialed or dated, thus we could not determine who prepared the notes or if they were correct.

PPA officials indicated that the hand-written notes were sufficient evidence to ensure that the checks were performed. We disagree. Without the printout, we cannot be assured that a PPA staff member actually reviewed the information or when the review was completed.

Sufficient evidence was found demonstrating that background checks were requested and received from the Philadelphia Police Department (PPD). We found that all 60 employees' files tested contained evidence showing PPD returned its results to the PPA. However, of the 60

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new hires tested, only 3 (5 percent) contained printouts generated by the PPD showing the background check results. The results of the remaining 57 were hand-written and initialed by someone at the PPD, including 4 that listed specific criminal convictions. The PPD should provide the actual printout of the criminal record in all cases where the employees' background check included a criminal record.

PPA hired individuals with criminal records and/or allowed employees to begin working even though their Pennsylvania State Police (PSP) background check was still pending. According to PPA's HR director, having a criminal record could adversely affect an applicant's eligibility to be employed with the PPA. However, other than the policy mandating no criminal records for PEOs, off-street cashiers, and airport monitors, PPA officials acknowledged that it has no guidelines or policies as to which crimes preclude someone from employment and/or how long ago the crime was committed to preclude someone from employment. The HR Director indicated that when new staff with a criminal record were hired, the Executive Director, on a case-by-case basis, reviewed the records and made the decision. However, there is no evidence in the employee files that this review occurred and what decision was made. Without this evidence, an independent reviewer cannot determine if an actual review occurred. Further, without policies or guidelines, the decisions made by management may be biased or inconsistent with respect to particular individuals.

Additionally, we identified individuals who were permitted to commence working even though their PSP background check clearances were still pending. In 10 of the 60 new hire files tested, there was either a criminal conviction noted by the PPD and/or the PSP, or the PSP background check was pending. The following table summarizes the offenses committed or the date PSP's pending notification was received:

Employee	Hired Position	Clearance from	Offense	Year(s) of Conviction	Date of Pending PSP Notification
1	Inventory Control clerk	PPD	DUI ⁸⁵	2013	-
2	PEO	PPD	DUI	2002	-
		PSP	Pending	-	February 2015
3	PEO	PSP	Manufacturing a controlled substance	2005	-
4	PEO	PPD and PSP	Controlled substance possession	1997 1999 2007	-
5	PEO	PPD	DUI	2006	-
		PSP	Pending	-	April 2016
6	PEO	PSP	Pending	-	March 2016
7	PEO	PSP	Pending	-	November 2015

⁸⁵ Driving under the influence.

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8	PEO	PSP	Retail theft	2010	-
9	Security Officer	PPD	Firearms	1968	-
			DUI	1971	-
10	Tow Truck Operator	PSP	Pending	-	December 2014

Source: Developed by the Department of the Auditor General based on review of the PPD and PSP information contained in the respective employees' HR files.

None of the new hires were stopped from starting employment based on the offenses committed or the fact that their PSP background check was still pending. This includes seven PEOs who, according to the 1995 policy noted above, should have been prohibited from being hired by the PPA based on the existence of a criminal record. Further, the PPA stated in March 2017 that two of the five new hires with pending PSP background checks (employees 5 and 7 in the list above) were still employed 11 months later and 16 months later, respectively. When we brought these pending PSP background checks to the HR Director's attention, he could not explain why these employees were hired without completed PSP background checks. PPA must immediately follow up on these two pending background checks and make a decision as to whether these individuals should remain employed.

Drug testing was performed prior to the new hires' starting date without exception. All 60 new hires tested had their drug screening complete prior to their starting dates. Each drug test is sent to a laboratory and the results signed by a physician from an outside company. All 60 passed the drug screening tests.

Written test for certain job classifications were performed as required and all new hires passed the test. The PPA requires applicants for certain job classifications, including the PEO classification, to take a written examination. This written examination tests the math, reading, and comprehension aptitude to ensure the employee is capable of performing the respective job duties. According to PPA, the test was created by PPA officials around 1999 and is graded by HR staff. Of the 60 new hires selected for testing, 31 were being hired for positions that required taking the examination. We found that all 31 new hires passed the written examination prior to starting employment with the PPA.

HR File Testing Results

Completed applications, I-9 Forms, hiring letter, and valid drivers' licenses for certain job classifications were found in the new hires employee files. Based on our testing, we found that all 60 new hires tested had a signed application, Form I-9, and new hire letter in their respective HR employment files. Additionally, we found that 56 of the 60 new hires tested had a valid driver's license in the HR employee files at the time of hire. The remaining four new hires were not required to have a valid driver's license on file.

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Certain employment files did not contain the verification form signed by the employee acknowledging that he/she read and understood the PPA Employee Manual. The employee manual in effect during our audit period included subjects, such as employee performance, compensation, attendance and leave, standards of conduct, employee benefits, and drug and alcohol abuse. Of the 60 new hires' HR files tested, we found that 7 (12 percent) did not contain the signed verification form. PPA officials stated that the HR staff did not ensure that the new employee returned the verification form to HR. Without the verification, PPA cannot be ensured that the individual received, read, and understood the employee manual.

Several employees did not have a signed employee action form in their employment file. The employee action form contains the signatures approving the employee for hire. It is to be signed by the HR Director, the Executive Director, and the HR Committee, only if hired after July 2015 for positions compensated at pay range A17 or higher. Based on our testing of 60 new hires, we found the following:

- 2 files did not contain an employee action form.
- 1 file contained an employee action form that was not signed by either the HR Director or the Executive Director (the HR Committee was not applicable).
- 1 file contained an employee action form not signed by the Executive Director.
- 56 files contained an employee action form that was properly signed.

According to the HR Director, the employee action form is the standard form used by PPA's HR department to record all employee actions into the payroll system, such as hiring and promotions. However, as noted above, we identified two employee files without forms and two files contained an employee action form that was missing at least one signature. As a result, we asked the HR department what happens if there is no employee action form in the file or the form is not signed. The staff responded that they will use other information contained in the employee's file to enter the new employee information into the payroll system. Also, with regard to the lack of signatures on the form, the HR staff indicated they would still use the employee action form to enter the employee's information. We also confirmed that a supervisor within the HR department does not verify that the correct information was entered into the payroll system.

Once the information (new salary, effective date, etc.) is entered the same HR employee sends an email with this payroll information to the payroll department. However, because the e-mail does not include a copy of the approved employee action form, the HR employee could potentially intentionally or un-intentionally list inaccurate information in the e-mail. Additionally, according to PPA officials, the payroll department does not have written procedures in place to check to verify that the information in the e-mail agrees with the information contained in the system and on the employee action form. As a result, potentially no one in payroll is verifying the information provided by HR has been correctly entered.

Without the employee action form, the appropriate signatures on the employee action form, and/or the employee action form being sent to the payroll department, the PPA is circumventing

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its primary control for ensuring that only approved additions or changes are entered into the payroll system. This, along with a lack of supervisory review of the information being entered into the system, places the PPA at greater risk for unauthorized or inaccurate information being entered, such as a “ghost employee” being entered into the system to the benefit of another employee. Therefore, all proposed changes to the payroll system should be documented and approved prior to the changes being made in the system.

The PPA does not require employees to sign job descriptions. As we reviewed the employment files, we noted that there were no signed job descriptions. The HR Director indicated that the PPA has never required employees to sign job descriptions. He also indicated that the department managers may go over the job descriptions with the new employees.

As a result, we requested the job descriptions for the 21 positions related to the 60 new hires we tested. Of the 21 potential job descriptions, 2 related to a Presiding Officer and a Programmer were not provided. With regard to the 19 job descriptions provided, we found that 9 were dated and 10 were not dated. The dates for the nine job descriptions ranged from 1984 through 2014 as shown below.

	Decade the Job Descriptions Were Last Updated				Not dated
	1980's	1990's	2000's	2010's	
Number of Job Descriptions	2	1	5	1	10

Source: This information was compiled by staff of the Department of the Auditor General based on review of the job descriptions provided by PPA.

The job positions related to job descriptions last updated in the 1980's were for a Secretary and a Pool Cashier. Providing accurate job descriptions and requiring employees to sign their job descriptions are key to ensuring that employees understand the job duties and responsibilities for which they were hired/promoted. Also, we found that the job descriptions do not have a line for the employee's supervisor to sign the job descriptions. Further, job descriptions should be reviewed routinely and updated as needed to ensure that the job duties and responsibilities are current and accurate. The job description can be a valuable tool for evaluating employee performance, and therefore it is important for both the employee and the employee's supervisor to sign the job description.

Recommendations for Finding 6

We recommend that the PPA:

1. Revise the HR Standard Operating Procedures Manual to include specific procedures regarding all pre-employment testing for all job classifications as well as what documentation must be retained within all employment files maintained by HR.

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2. Once HR's Standard Operating Procedures Manual is revised – periodic reviews and updates of the manual should be conducted to remain current.
3. Require all HR policies to be in writing and approved by the Board.
4. Compile its HR policies (and other policies) into a single document or manual and distribute to appropriate employees.
5. Implement adequate supervisory oversight over the HR hiring process to ensure that HR policies are adhered to, including all employment forms being properly completed, signed, and retained.
6. Require HR staff to print and retain the results of the inquiry regarding whether the potential employee owed any fees or fines to the PPA, or at a minimum, the handwritten notes should be initialed and dated to document when the review took place and by whom.
7. Consider asking the Philadelphia Police Department to provide the actual background check clearance printout in instances where there is not a clean criminal record.
8. Develop a policy regarding the results of criminal background checks. Items to be considered include:
 - a. Establishing which job classifications must have clean background clearances.
 - b. Establishing which criminal convictions would preclude someone from being hired at the PPA.
 - c. Establishing the number of years from which a criminal conviction previously occurred to be considered for hiring.
 - d. Establishing a case-by-case decision-making process and PPA official responsible for making the decision.
 - e. Whether or not potential employees can start working prior to the receipt of the completed criminal background checks or the background check coming back with a “pending” status by the PPD and PSP.
9. Require criminal background decision-making, if discretionary, be documented and placed into the employee's files.
10. Develop written procedures for handling PSP background checks that come back with a Pending status.
11. Immediately follow up with PSP on the two current employees identified during the audit that had pending PSP criminal background clearances. Once received, based on

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- PPA policies, PPA needs to determine whether these individuals can and should remain employed.
12. Immediately review its PSP background results for all current employees, identify any other employees that had pending PSP background check results, and immediately follow up with the PSP to get the completed clearance results. Once received, PPA needs to determine whether these individuals can and should remain employed.
 13. Ensure that all employees sign and return their PPA Employee Manual verification form and the form is retained in the employee's file.
 14. Ensure that all employee action forms are properly approved and retained in employees' files.
 15. Require the HR personnel who enter new hire information (or other changes, such as promotions, terminations, etc.) to have a properly signed employee action form authorizing this action before entering this information into the payroll system.
 16. Establish supervisory oversight within the HR department and/or the payroll department over additions and changes entered into the payroll system through developing written procedures to ensure the information entered is accurate. If supervisory oversight is established within the payroll department, the HR department should send the properly signed employee action form to the payroll department.
 17. Create and/or review and update job descriptions for all current job classifications and date when the job descriptions are updated or created.
 18. Establish a schedule to periodically review and update job descriptions and ensure that any newly created job classifications have job descriptions.
 19. Require all employees, through policy, to sign job descriptions.
 20. Consider revising the job descriptions to include a line for the employee's supervisor to sign the job descriptions to indicate approval of the job description.
 21. Ensure the signed job descriptions are required to be retained in each employee's files.
 22. If employees are promoted or change positions, develop a process for ensuring that the employees timely sign a new job description for the new job classification.

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Philadelphia Parking Authority's Response and Auditors' Conclusions

We provided copies of our draft audit findings and related recommendations to the Philadelphia Parking Authority (PPA) for its review. On the pages that follow, we included PPA's response in its entirety. Following PPA's response is our auditors' conclusions.

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Audit Response from Philadelphia Parking Authority



701 MARKET STREET
SUITE 5400
PHILADELPHIA, PA 19106
215.683.9600

July 27, 2017

The Honorable Eugene A. DePasquale
Auditor General
Commonwealth of Pennsylvania
Harrisburg, PA 19120-0018

Dear General DePasquale:

Attached is the response of the Philadelphia Parking Authority to the findings and recommendations resulting from your performance audit of our employment policies and procedures.

Thank you for accepting our invitation to perform this review and for the recommendations for improvement. Our shared goal has been to confront the issues of the past and put structures in place to ensure the PPA conforms to the highest standards of public service moving forward.

I appreciate the professionalism of your staff and the thoroughness of their review. While many of the recommendations have already been put in place by the PPA, the report provides additional steps we can take to further improve our operations. We embrace the reform roadmap you have laid out and join you in our mutual commitment to restore public confidence in the PPA through concrete action.

Thank you again for joining us in this endeavor. I look forward to working with you as we present your recommendations and our commitment to implement them.

Sincerely,


Joseph T. Ashdale
Board Chair

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Philadelphia Parking Authority Response to the Performance Audit Report Prepared by the Pennsylvania Auditor General

Philadelphia Parking Authority Mission Statement

The mission of the Philadelphia Parking Authority is to enhance the quality of life for all those who live, work and visit Philadelphia through our strategic partnerships with the Commonwealth of Pennsylvania and the City of Philadelphia. That is accomplished by supporting the region's economic vitality through the provision of comprehensive parking, regulatory and transportation services. A focus on improved access, greater mobility, and increased vehicular and pedestrian safety are the guiding principles of our programs.

PPA's Evolving Role in Philadelphia's Transportation System

The Philadelphia Parking Authority plays a central role in the transportation policies of the City of Philadelphia and the region. Created on January 11, 1950, PPA's original mission was to respond to the increasing demand for parking in Philadelphia's central business district by constructing and operating reasonably priced parking facilities. Since that time, while maintaining our original mandate, the PPA has been assigned increasing responsibility including all on-site parking at Philadelphia International Airport, on-street parking management, Live Stop enforcement, regulation of taxicabs, limousines and transportation network companies, and red light photo enforcement.

The PPA has 16 business units, each with a unique set of legal or regulatory rules for the collection and use of funds. Every operation is self-funded, meaning we receive no appropriated funds to support our operations, beyond those raised by the PPA through our operations.

The following is the ten year total of direct payments from operations of the Philadelphia Parking Authority to various government entities:

On-Street Parking to the City General Fund	\$339,986,201
On-Street Parking to the School District	\$88,914,065
Airport Parking to the City Division of Aviation	\$276,762,965
Red Light Camera Enforcement to PennDot	\$59,787,164
Independence Mall Garage to City General Fund	\$10,110,028
Old City Garage to U.S. Department of Interior	\$6,656,348
Total	\$782,216,772

While our financial contribution to support other government services is significant, the manner in which we provide those services must demonstrate the highest standards of public service.

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Unfortunately, the events involving the former Executive Director demonstrated that we fell short in that regard. However, as the following will demonstrate, the Board acted promptly and decisively to address the issues with which they were confronted and continue to take action to implement and ensure compliance with the highest standards of public service.

PPA's Commitment to Transformation

Executive Summary

We cannot move forward with our plans for improvement, nor begin to describe the steps we have taken over the past 9 months to change, without acknowledging our failures. The Auditor General's Report (Report) is a painful read for PPA Board Members and employees, many of whom have dedicated decades to the PPA. As leaders of the PPA, we recognize that our employees deserve better; the public deserves better. We are committed to succeeding in a quantifiable and transparent way.

As in any public agency governed by a board, The Philadelphia Parking Authority Board appoints an Executive Director to be the chief operating officer. The PPA Board appointed the former Executive Director with the expectation that he would conduct himself with the highest ethical standards. As is the norm, he was entrusted with responsibility to ensure that the policies and standards set by the Board were implemented in a fair and consistent manner. He was given broad discretion to conduct the affairs of the PPA consistent with the laws, regulations, and Board actions imposed on the agency and therefore the Executive Director.

It is now apparent that the appropriate delegation of authority to the former Executive Director was used in a manner inconsistent with the expectations of the Board and the standards the public has a right to expect. One of the most troubling realizations for the Board was that a climate was created in which the former Executive Director controlled the information flow to the Board and other staff felt that an attempt to communicate concerns involving the former Executive Director's conduct would result in retaliation. That is why one of the first actions the Board took in response to the sexual harassment charge filed in June 2015, was to create a direct reporting responsibility for the General Counsel to the Board.

The PPA's Board invited the Auditor General to audit our human resources related policies because we understood the gravity of the task at hand. We have accepted all their recommendations although some require additional review.

Following the suspension and subsequent departure of the former Executive Director based on workplace sexual harassment, the PPA's Board and senior staff took steps intended to prevent the organization from ever experiencing a similar occurrence. One step was to ask the Auditor General to conduct what we knew would be a public and revealing audit.

We want to acknowledge the work of the Auditor General's Office. Over the past 9 months, representatives of that office have steadfastly pursued the information necessary to reach their conclusions, but they have done so in a respectful and professional manner. We believe that

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the Auditor General's staff acknowledged that the PPA has been fully responsive to their requests.

The Auditor General's Report makes 73 Recommendations to the PPA. We have already completed or are in the process of implementing 63 (86%) of those corrective recommendations. Only 10 recommendations require additional study which we are committed to complete in 180 days.

The PPA has boldly moved to transform the agency through resolute actions and measures. Beginning in September 2016, the PPA Board set upon a course of substantive agency-wide change focused on accountability and transparency. We detail those actions later in this response. However, the following is a summary of our actions to date:

- September 27, 2016 – All hiring frozen.
- October 13, 2016 – New interim Executive Director appointed by Board. Hiring freeze continued pending review of need for new positions. Additionally, promotions were frozen.
- October 13, 2016 – PPA Board directs that a professional executive hiring firm be secured to search for a permanent Executive Director.
- October 13, 2016 – PPA Board directs that an independent human resources firm be hired to conduct an audit of PPA human resources procedures and policies.
- October 13, 2016 – PPA Board adopts new sexual harassment policy.
- October 13, 2016 – PPA Board directs staff to advance the review of the entire Employee Manual.
- November 7, 2016 – Employee sexual harassment training begins - 911 (85%) employees are now trained.
- November 17, 2016 – The Executive Director changes comp time policy for all senior staff, providing clarity on very limited circumstances when available.
- November 23, 2016 – Employee diversity training begins - 262 (24%) employees now trained.
- December 13, 2016 – PPA Board hires human resources consultant to audit PPA.
- December 20, 2016 – Pennsylvania Ethic Commission invited to provide training. They conduct first employee training session - 87 (94%) management employees have completed training to date.
- December 2016 – PPA changes employment application process. Posts jobs on website.
- December 2016 – Executive Director requires agency-wide reporting on any employee receiving overtime pay or comp time more than 10% of salary.
- January 2017 – Executive Director removes her position and Deputies from eligibility for comp time in any case.
- January 24, 2017 – Executive Director hires search firm to screen applicants to be PPA Chief Financial Officer and PPA Controller.
- February 24, 2017 – PPA Board hires firm to search for and screen applicants for Executive Director.

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- April 28, 2017 – PPA Board approves policy prohibiting nepotism.
- April 28, 2017 – PPA Board adopts a robust agency-wide policy to determine need for every hire and promotion and a documented process to evaluate applicants.
- May 9, 2017 – PPA Board Human Resources Committee Chair approves hiring of new Chief Financial Officer.
- May 9, 2017 – PPA Board Human Resources Committee Chair approves hiring of new Controller.
- May 31, 2017 – PPA Board approves new Employee Manual.
- May 31, 2017 – PPA Board approves major changes to employee benefits.
- May 31, 2017 – PPA Board approves agency-wide record retention policy.
- June 28, 2017 – PPA Board approves a new Conflict of Interest Policy.
- June 28, 2017 – PPA Board approves contracts for outside legal services as a result of a public competitive process.
- July 31, 2017 – Hired a new Director of Information Technology after objective screening by a professional search firm.

Action items previously planned

While we are encouraged by the results of steps taken to date, we are not done. The work necessary to assure that mistakes of the past do not re-occur can never truly end. A continued emphasis on best practices will result in a perpetual process of self-examination and new initiatives. However, within the next 180 days we will complete the following actions to continue our progress:

- Complete the review of the Auditor General's recommendations that have not already been addressed.
- Hire a permanent Executive Director, after objective screening by the professional search firm.
- As recommended in the Report, begin the process to hire or contract at least 1 internal auditor to continually challenge the PPA to adhere to its policies and procedures.
- In consultation with our new IT Director, will begin the publication of all contracts on the PPA website.

Over the past nine months, we have instituted the most significant reforms in our 67 year history. Through aggressive change management, the Philadelphia Parking Authority has begun transformation to a more disciplined organization with accountability for process, procedures and outcomes. The work is far from over. It will take great and persistent effort to solidify these changes. We will not fail.

We invite the Auditor General to work with us to develop a schedule to follow-up on the progress we make in implementing the recommendations contained in the report.

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PPA Response to the Auditor General's Findings and Recommendations

The following is a more detailed response to the Findings and Recommendations in the Auditor General's report. The report contains 73 recommendations. The PPA has fully implemented or has begun implementation of 63 and will review the remaining 10.

While significant progress has been made in improving Board oversight and in setting sound policies for staff, the recommendations contained in the report affirm our direction and provide a further roadmap for the Board and staff to enhance our operations. We are committed to the speedy implementation of these recommendations.

The Board and PPA management sincerely appreciate the openness and professionalism of the Auditor General's team in their interactions with PPA staff. We found the process to be constructive and based on a mutual desire to improve the standards of service the Philadelphia Parking Authority provides to the public.

Finding 1 – The PPA Board has failed to establish an ethical culture within the organization and a leadership team with integrity that upholds its fiduciary responsibility to effectively and efficiently operate the PPA and to be accountable to the citizens it serves.

PPA Response – The report indicates that the “audit predominantly reviewed activity that occurred during the tenure of the former Executive Director.” We note the involvement of staff and Board to address improper behaviors. The deputy executive director received the sexual harassment complaint in June 2015 and with the general counsel and HR Director immediately called the Board Chair to report the complaint. The General Counsel recommended that an independent investigator, with no prior relationship with the Authority or the former Executive Director, be hired to conduct the investigation. The Board immediately accepted the recommendation. Additionally, the Deputy Executive Director took steps to set boundaries for the former Executive Director with regard to his interaction with the complainant.

As a result of the investigation, the Board imposed significant penalties against the former Executive Director and set limits on his ability to unilaterally make personnel decisions. The Board created the Human Resources Committee to provide oversight of the HR processes and to monitor and evaluate the Executive Director's compliance with the sanctions imposed and to monitor his performance. These changes were made with an understanding that without ongoing controls, the inappropriate conduct of the former Executive Director could be repeated by him but also by another person taking that position in the future. Therefore, the HR Committee was established not just as a disciplinary tool for the former Executive Director's misconduct but as an appropriate management tool for any Executive Director.

On September 26, 2016, the day the former Executive Director was suspended by the Board Chair, the Deputy Executive Directors met with all PPA Directors to immediately impose a hiring and promotion freeze. The purpose of the freeze was to allow time to establish a process for

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evaluating vacancies and procedures for an open process for candidate selection for both new hires and promotions.

The Board, in less than three weeks, hired an Executive Director with thirty years of government management experience in transportation issues and a reputation for honesty and integrity. At the same time the Board directed staff to prepare a Request for Proposals for an executive search firm to conduct a national search for a permanent Executive Director, a process nearing conclusion. The Board also instructed staff to prepare a Request for Proposals for a consulting firm to review the PPA's human resources policies, procedures and processes. That report has been received and some recommendations have already been implemented and others are in process.

There was no public attention to the June 2015 sexual harassment allegation when senior management took responsibility to insure that the complaint was handled in a professional manner and that all Board members were informed and involved in the process of investigation. Senior staff also confronted the former Executive Director and attempted to establish guidelines for his interaction with the complainant. When he disregarded those boundaries, the Deputy Executive Director established more stringent safeguards to insure the complainant's safety and the integrity of the process and took responsibility to monitor compliance with those safeguards. The Board immediately committed to an independent investigator and instituted restrictions on the Executive Director.

These actions, taken by staff as to their boss (the former Executive Director), were difficult but the former Executive Director was confronted. We believe this demonstrates a commitment by the Board and senior management to act ethically and with integrity.

The HR Committee did not adequately perform its functions

PPA Response – The most significant oversight responsibility undertaken involved personnel actions over which the former Executive Director previously exercised total control. The Board created the Human Resources Committee which established protocols on when and how the Committee's approval of personnel actions was required. That process was followed consistently by the HR Committee from the time of its adoption by the Board on July 26, 2015.

The issue of a performance evaluation was also raised. It was the committee's intention to evaluate the former Executive Director in January 2017, his first full year anniversary date since the formation of the HR Committee.

High Salaries and Excessive Raises for Senior Management

PPA Response – The report references 31 of the PPA's top level management employees and the pay increases they received between July 1, 2014 and October 31, 2016. The PPA has established pay scales for all positions. Those pay scales include six annual steps to which an employee may move on his or her anniversary date (with the requirement of a satisfactory

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performance evaluation). When an employee reaches the sixth step on the scale, he or she does not receive any additional pay increases unless a cost of living adjustment (COLA) is approved. It has been PPA policy for many years to award COLAs to all employees based on those approved through the process of contract negotiations with the unions representing PPA employees.

In 2007, the salaries of non-represented employees earning over \$100,000 a year were reduced 6%. In 2009, a larger group of management employees received a 3% reduction in salary, all as a result of budget issues in the City of Philadelphia caused by the national economic recession. From 2007 through 2013, no PPA employee received any COLA adjustments. In 2012, the salaries of those employees who received cuts were restored. In 2013, contract negotiations were concluded with the unions which set annual COLAs for 2013 (2.5%), 2014 (3%), 2015 (2.5%) and 2016 (3%). The Board also approved COLAs for non-represented employees at the same rate as represented employees.

Some of the employees selected for review were eligible for two annual step increases and three COLAs during the audit period. While that resulted in two pay increases in a year, one step increase and one COLA, this is standard practice for public employees with multi-step pay scales.

Seven of the most senior employees were singled out for attention because they also received promotions during the same period. For those employees, the promotion added an additional increase during the period however, those increases were consistent with standard pay practices and all had their anniversary date for annual step increases changed so that he or she would not move to the next higher step on the pay scale until one year had elapsed. At the time of the promotions on April 1, 2015, the former Executive Director had complete discretion in hiring, firing and promoting non-represented employees and he alone made the decision to promote those individuals.

As a result of the Board action in July 2015 establishing the Human Resources Committee, promotions of that nature now require approval by the Committee. In addition, the PPA has begun the process of reviewing salaries to ensure they are consistent with other public employees in similar positions. We expect to complete that review within 180 days of this report.

Recommendations for Finding 1

We recommend that PPA's Board and senior-level management:

1. Work together to create an organizational culture and work that is ethical, productive, and free from sexual harassment and discrimination.

PPA Response – Agree, and the Board and senior-level management have worked together to implement significant, substantive policy changes that address this recommendation. Many of those have been listed previously or will appear in response to issues raised later in this report. However, some of the more significant actions are:

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- Approved a revised Employee Manual to more clearly articulate PPA policies, set higher standards for employee conduct, and reduce the possibility to circumvent established policies.
 - Established a new sexual harassment and discrimination policy with clear standards of conduct, reporting procedures and investigation guidelines. All allegations of sexual harassment must be reported to the Board HR Committee upon receipt of the complaint. (Established October 13, 2016 and incorporated into the revised Employee Manual May 31, 2017)
 - Mandatory sexual harassment training is taking place for all employees.
 - Ethics training for all management staff was provided by the Pennsylvania Ethics Commission and will continue.
 - Diversity and Sensitivity training has been completed for many employees and will be expanded to all employees.
 - Training will be provided to all employees on the provisions of the Employee Manual, including sexual harassment and discrimination, for all new hires and no less than every two years for all employees. (Established May 31, 2017)
 - In October 2016 established a direct confidential employee hotline to the Executive Director to report fraud or any inappropriate behavior.
2. Establish sufficient management controls to ensure that employees adhere to all policies, including new or revised policies subsequently implemented.
PPA Response – Agree, and the PPA commits to provide training on any policy change to employees as they are adopted. In addition, as noted above training on all provisions of the Employee Manual will be conducted no less than every two years and for every new hire. (Established May 31, 2017)
3. Consider expanding the internal auditing function beyond one person and fill the vacant internal audit position as soon as possible.
PPA Response – Agree, and we will begin the process to develop duties and responsibilities to perform this function.

We recommend that PPA's Board:

4. Proactively oversee and monitor the activities of the Executive Director in accordance with the Parking Authority Act and its bylaws.
PPA Response – Agree, and the Board agrees and has initiated more frequent discussions with the Executive Director on ongoing activities of the PPA. In addition, the HR committee will conduct annual, written performance evaluations on the Executive Director. The Board Chair approves the Executive Director's time on a bi-weekly basis.
5. Consider whether other matters related to overseeing the Executive Director should be delegated to the HR Committee.
PPA Response – Agree, and the Board will continue to review options for further oversight of the Executive Director.

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6. Fill the Executive director position with a candidate who not only meets educational and experience qualifications, but also has leadership skills and ethical values and who, above all else, is committed to the betterment of PPA.
PPA Response – Agree, and the Board is committed to hiring a person of the highest ethical values and has included the following in the position description for prospective candidates: “Provides overall leadership and direction for a highly complex organization and sets the tone for an ethical organization that is both high-performance and committed to public service.” It further states “The ideal candidate will possess...the highest degree of ethics.”
7. Consider on a year to year basis whether management employees, particularly those who are the most highly-compensated, should receive COLAs rather than automatically granting COLAs annually.
PPA Response – Agree, and this will be reviewed as COLAs are approved for other employees. The PPA has not yet concluded negotiations with the unions so there are no scheduled COLAs at this time. As a demonstration of a commitment to efficacy, the Executive Director and all Deputy Executive Directors have agreed for forego COLAs this year if they are awarded to others. The two Deputy Executive Directors eligible for a step increase this year have agreed to forego that increase as well.
8. Consider whether management employees should automatically receive step increases.
PPA Response – Agree to review this recommendation.
9. Assess whether management compensation is excessive.
PPA Response – Agree, and the PPA has begun the process of reviewing salaries to ensure they are consistent with public employees in similar positions. This will be complete within 180 days.

We recommend that the Board’s Human Resources Committee:

10. Reevaluate PPA’s Employee Manual on an annual basis in accordance with its responsibilities.
PPA Response – Agree, and the Human Resources Committee will require the Executive Director to submit a report at the end of each fiscal year with a review of the Employee Manual and recommendations for amendment based on best practices for public employees.
11. Evaluate the performance of the Executive Director in accordance with its responsibilities on at least an annual basis.
PPA Response – Agree, and the Board HR Committee will incorporate that into its standard procedures.
12. Ensure promotions/equity adjustments for management are appropriate, properly justified, and include additional responsibilities to be commensurate with the salary increase.
PPA Response – Agree.

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Finding 2 – The PPA Board’s failure to effectively monitor the former Executive Director allowed him to violate PPA policy and manipulate his leave records for his own personal gain in possible violation of the Public Official and Employee Ethics Act. We found that PPA overpaid the former Executive Director for his unused leave balances.

PPA Response – It is not disputed that the former Executive Director waived policy provisions of the Employee Manual with regard to earning compensatory time, increasing the carry over limit for compensatory time, waiving the carryover limit for compensatory time, waiving the annual carryover limit for vacation time, waiving the expiration date for furlough administrative leave days, and applied holiday compensatory days in a manner inconsistent with the provisions of the Employee Manual. To that point, upon the departure of the former executive director, the authority did not compensate him for the time in question.

While the Board does not condone these actions. By way of example, some perspective on how one of these practices came about may be instructive. Until November 2016, all PPA employees, regardless of position were classified as hourly employees, not salaried. This policy long predates the former Executive Director and the current Board. As a result, any employee wishing to leave ½ hour early was required to use leave even if the number of hours worked in that week significantly exceeded the required 37.5 hours. As a result it became common for employees to carry small compensatory time balance for those occasions.

The fact that the former Executive Director met the standard to be an “Exempt” employee under the Fair Labor Standards Act provides no guidance because the PPA did not treat him as an exempt employee. In addition, there is no dispute that the former Executive Director devoted extraordinary amounts of time to the PPA. However, in light of his compensation and level of responsibility his accumulation of huge compensatory time balances is not justifiable.

The former Executive Director’s leave was not monitored by the Board. It was assumed, incorrectly, that the chief operating officer of the PPA could be trusted to act in accordance with written policies on leave. We were wrong. New policies are now in place to address the issues associated with this finding.

The Board Chair now approves the Executive Director’s time on a bi-weekly basis. The Employee Manual has been revised to clearly define the circumstances under which an employee may earn compensatory time. The Executive Director and Deputy Executive Directors may not earn compensatory time under any circumstances. The Deputy Executive Directors and the On-Street Parking Director voluntarily forfeited all compensatory time balances in support of the new policy. The current Executive Director never had compensatory time. Other senior management employees may only earn compensatory time under emergency situations declared by the Mayor or the Executive Director with the approval of the Board Chair. This is now a clear process that requires the participation of more than one person.

In addition, the revisions of the Employee Manual approved by the Board on May 31, 2016 included the following changes for non-represented employees:

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Leave Type	Old Carryover Limit	New Carryover Limit
Vacation	150 days	70 days – employees with current balances over 70 days but not above 150 days as of July 1, will be permitted to keep their current balance.
Sick Leave	Unlimited	200 days – employees with current balances over 200 days will be permitted to keep their current balance.
Compensatory Time	240 hours at year end	May not exceed 240 hours at any time.
Holiday Compensatory Day	No limit and no expiration	Must be used within one year of earning the day and requires prior approval to use the leave.

In addition, under current policy, an employee separating from the PPA to immediately begin collecting his or her pension, with at least ten years of service, may convert 100% of his or her sick leave for additional retirement health benefits. In addition, 30% of the sick leave balance not used for retirement health benefits may be paid in cash. Effective January 1, 2018, any employee retiring with at least ten years of service may use 50% of his or her sick leave to purchase additional retirement health benefits or be paid for 30% of the sick leave balance. Effective January 1, 2023, any employee retiring with at least ten years of service may use 30% of his or her sick leave for retirement health benefits or be paid for 30% of the sick leave balance.

With regard to the overpayment to the former Executive Director, we concede that an error was made in auditing his leave balances prior to issuing his terminal payment. We advised the former Executive Director via letter of the overpayment and he has submitted reimbursement.

Recommendations for Finding 2

We recommend that PPA's Board:

1. We recommend that the Executive Director's time and attendance are reviewed and approved by the Chairman of the Board or the Human Resources Committee if delegated, for correctness.

PPA Response – Agree, and the Board Chair currently signs the Executive Directors attendance record bi-weekly.

2. Develop controls to prohibit the Executive Director and other senior-level management from overriding policy and management controls, especially within the Payroll Department, for either himself/herself or other employees.

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PPA Response – Agree, and the Board approved an amendment to the Employee Manual permitting changes to the Manual only if approved by the Board at a public meeting. We are also in the process of updating Standard Operating Procedures for all departments. The procedure for the Payroll and Time Control Department will require written requests for any changes and will not permit changes outside the approved provisions of the Employee Manual. If a request is submitted that does not conform to approved policy, the employee receiving the request will be required to report the request to the Finance Director or if the Finance Director is making the request to the Executive Director. If the request is from the Executive Director it is to be reported to the General Counsel who must report it to the Chair of the Board HR Committee. Revised SOPs for the Payroll and Time Control Department will be submitted to the Board for approval within 180 days.

3. Require its Internal Auditor to periodically and regularly review and monitor the Executive Director's leave balances for suspicious activity.

PPA Response – Agree, and until an Internal Auditor is in place, the Finance Director will perform this duty on a quarterly basis.

4. Develop protocols for PPA employees to report suspicious activity or inappropriate requests from the Executive Director.

PPA Response – Agree, and as indicated in the response to recommendation 2 above, the process indicated will be incorporated in the department's SOPs. In addition, within 180 days, we will develop a procedure for reporting suspected inappropriate requests from any member of the staff.

5. Ensure that "whistle-blower" protections are in place for employees who report suspicious activities of the Executive Director or any management staff.

PPA Response – Agree, and consistent with our response to recommendation 4 above, protections will be included in the process to be developed within 180 days.

We recommend that the PPA:

6. Implement an edit-check within its time and attendance system to either prevent employee from entering an administrative leave request when there is an insufficient available balance or, if this is allowed to continue, program the system to reduce the subsequent year's balance by the amount of leave used in excess of availability.

PPA Response – Agree, and on May 5, 2017, the Authority issued a Request for Information for a new time and attendance software system to include the safeguards recommended.

7. Only permit the establishment of leave caps that are in compliance with Board approved policy, and prohibit the caps from being overridden.

PPA Response – Agree, and this will be incorporated into the revised department SOPs. See response to Recommendation 2 above regarding revised leave balance carryover amounts as well and be regularly reviewed by the Internal Auditor.

8. Follow all established time and attendance policies and do not reinstate leave balances that exceed policy caps.

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PPA Response – Agree, and this will be incorporated into the revised department SOPs and will be regularly reviewed by the Internal Auditor.

9. Ensure that any leave balances that expire are removed timely for all applicable employees.

PPA Response – Agree, and will be incorporated into the revised department SOPs.

10. Ensure that all sick and vacation leave that is sold back to PPA is removed from the respective employees' leave balances.

PPA Response – Agree, and it will also be incorporated into the department SOPs and reviewed by the Internal Auditor.

11. Ensure that all public officials and public employees within the PPA and its board regularly receive Ethics Act training, including the avoidance of engaging conflicts of interest, and sign conflicts of interest statements.

PPA Response – Agree, and a revised Conflict of Interest Policy was approved by the Board on June 28, 2017. The policy will require that all positions within the PPA and its Board sign the policy. The ethics training by the Pennsylvania Ethics Commission has been completed for management employees. Sessions for all covered employees and Board members will be conducted no less than every two years.

Finding 3 – The PPA Board's failure to effectively monitor the activities of the former Executive Director allowed him to violate PPA policy and manipulate senior management leave records in possible violation of the Public Official and Employee Ethics Act.

This finding addresses the practice of the former Executive Director to permit senior level management employees to earn compensatory time outside the Employee Manual requirement that it only be permitted under "extraordinary circumstances" and the lack of clarity related to that limitation. Under Finding 2, we discussed the circumstances which gave rise to this practice. The same issues apply here.

In addition to the appropriateness of senior level management employees earning compensatory time at all, the former Executive Director designated a group of employees eligible to carry a balance of 480 hour rather than the 240 prescribed in the Employee Manual. On certain occasions, the former Executive Director waived the carryover limit (both 240 and 480 hours) for employees who exceeded the limit at year end. Neither of these actions were authorized by the Employee Manual nor were they approved by the Board or the Board Chair.

The exceptions to stated policy with regard to leave benefits were initiated and implemented by the former Executive Director. He also waived comp time limits and annual carry over limits for certain staff members, including some senior management employees. No actions were taken at the direction or even at the request of subordinate staff.

The Report makes the case that by earning compensatory time an employee was relieved from using sick time thereby earning "perfect attendance" benefits. This allegation cannot be logically applied. The use of comp time requires pre-approval. That approval process makes it unavailable for unanticipated illness because approval is at the discretion of the employee's

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supervisor based on the operational needs of the PPA. We agree that earning compensatory time at senior management levels is not appropriate. However, it should be understood that these employees worked the hours listed. As a self-contained government entity that also supports the operations of local government (e.g. responsible for not only towing cars on snow emergency routes but also clearing/plowing snow on residential streets) the work of the PPA at times can be challenging. The number of hours worked by some employees is a testament to their dedication to service.

On November 17, 2016, the Senior Director of Human Resources distributed a memorandum to all senior management employees (those in pay grade A22 and above) informing them of the new policy approved by the Executive Director that they were not permitted to earn compensatory time except in "emergency situations declared by the Mayor or the Executive Director with the approval of the Board Chair." The intent was to clarify that earning compensatory time was to be a rare occurrence in circumstances that could be documented by an emergency declaration by the Mayor or action of the Executive Director in concert with the Board Chair. The number of compensatory time hours permitted to be carried any time was set at 240. At the same time, the Executive Director and Deputy Executive Directors were prohibited from earning compensatory time under any circumstances. As a sign of support of this policy the Deputy Executive Directors and the On-Street Parking Director have forfeited the entirety of their compensatory time balances. (The current Executive Director did not have any compensatory time.) That policy has since been incorporated into the revised Employee Manual approved by the Board on May 31, 2017.

Former Executive Director failed to ensure that two hearing examiners were working the minimum 13-day per month requirement.

As part of the PPA's regulatory responsibility of the taxicab, limousine and transportation network companies in Philadelphia, a hearing process is required for industry members wishing to contest enforcement actions taken by the PPA. Two former judges of the Court of Common Pleas were hired on a part-time basis to preside over hearings, decide cases and write opinions in each case. Each received a hiring letter from the former Executive Director indicating that they were expected to work 13, eight-hour days per month. The audit revealed that, unlike other PPA employees, these judges were not required to use the biometric scanner to record their attendance.

The time and attendance practices related to these positions was created by the former Executive Director. These respected jurists, who served on the Court of Common Pleas, were allowed to continue their prior time practices. However, when we became aware that they were not enrolled nor using the biometric attendance system, the PPA took steps to enroll them and make its use a requirement of their job.

While we understand that the auditors were looking for some mechanism to measure their attendance, drawing conclusions from the data obtained is unreliable. As noted, in addition to presiding at hearings the judges are required to write opinions for each case. That work is done

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at the PPA's Taxicab & Limousine Division headquarters but there is no "court calendar" to document the days they are working on that aspect of their job. Furthermore, there is a security officer assigned to the TLD headquarters entrance who regularly opens the door for entering or exiting employees, the result of which could be that the employee may show no access control punch for the day.

Recommendations for Finding 3

We recommend that PPA's Board:

1. Amend its Employee Manual regarding compensatory (comp) time to specifically include:
 - a. Which positions are not permitted to earn comp time under any circumstances.
PPA Response – Agree and the revisions to the Employee Manual approved by the Board on May 31, 2017 include in Section 205. A. 4. "The Executive Director and Deputy Executive Directors are not eligible to earn compensatory time under any circumstances." In addition, these employees are now treated as salary employees and are exempt from the provisions of the Fair Labor Standards Act.
 - b. Define what constitutes "extraordinary circumstances" and who can authorize the approval of such circumstances for comp time for employees at pay range A22 or higher.
PPA Response – Agree and revisions to the Employee Manual approved by the Board on May 31, 2017 include in Section 205.A.3. "Employees at pay range A22 and above will not be compensated for additional hours worked. However, in emergency situation declared by the mayor or the Executive Director with the approval of the Board Chair, one hour compensatory time will be awarded for each hour worked." (emphasis added). In addition, employees in pay range A22 and above have been classified as salary employees and exempt from the provisions of the Fair Labor Standards Act.
 - c. How comp time can be used and whether or not pre-approval is necessary.
PPA Response – Agree, and while it has been the practice to require pre-approval for the use of compensatory time, it was codified in the Employee Manual by the Board on June 28, 2017.
 - d. A statement that no one can waive any aspect of this policy without prior Board approval.
PPA Response – Agree and the Board approved this amendment to the Employee Manual June 28, 2017.
2. Develop controls for periodically monitoring the earning and using of comp time to ensure compliance with the policy by all employees.
PPA Response – Agree, and this will also be a part of the Standard Operating Procedures developed for the Payroll and Time Control Department. Those procedures will be finalized within 180 days. Additionally, a Request for Information was released on May

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5, 2017, for new software for our time and attendance system. Modern audit capabilities for this and related matters will be included in the selected system. Additionally, division Directors are required to submit justifications for all overtime and/or compensatory time exceeding 10% of an employee's pay each pay period.

3. Consider whether comp time should be offered to management at pay ranges below A22 or under what conditions.

PPA Response – Agree, and while positions below that pay range are covered by the provisions of the Fair Labor Standards Act, the PPA will consider whether overtime is a more cost effective way to compensate for extra hours worked.

4. Consider whether management should be permitted to annually sell back illness (sick) leave and vacation leave.

PPA Response – Agree and we will include this in the compensation review noted previously.

5. Require the Internal Auditor and/or Payroll Department personnel to review leave records for at least employees at pay range 22 or higher who separate from employment prior to processing their leave payout to ensure that the leave payout is proper and complies with PPA's Employee Manual.

PPA Response – Agree, and this will become part of the Standard Operating Procedures to be adopted within 180 days.

We recommend that the PPA:

6. Require all employees account for their time and attendance through its biometrics system, especially part-time employees.

PPA Response – Agree, and completed. All employees are now required to record their attendance through the biometric system.

7. Consider requiring the two Hearing Examiners to justify their hours worked at least between February and October 2016 or request reimbursement for hours not worked.

PPA Response – We will investigate the options to determine time worked between February and October 2016.

Finding 4 – PPA's lack of Board oversight, outdated and ineffective employment policies, and a lack of training contributed to sexual harassment allegations against the former Executive Director not being adequately addressed.

It is undisputed that the former Executive Director violated the PPA's Employee Manual with regard to sexual harassment. The Board finds the conduct of the former Executive Director reprehensible. In the wake of the investigation the Board imposed significant sanction on the former Executive Director.

In addition, the Board created a Human Resources Committee to review personnel actions and required the Committee's approval for all personnel actions involving employees at the Deputy

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Manager level and above. Prior to that time, the Executive Director had complete discretion in those actions.

The Board also instituted an additional reporting structure for the General Counsel. That change requires, in addition to the General Counsel's responsibility to the Executive Director for operational issues, he also reports directly to the Board on matters he reasonably believes should be brought to the Board's attention.

At the same time, the Board directed staff to begin a comprehensive revision to the Employee Manual. That work was nearly complete and a draft ready to be presented to the Board HR Committee when a prior sexual harassment complaint came to light. On September 27, 2016, the Board Chair suspended the former Executive Director with the intention to recommend his termination to the Board at its meeting scheduled for September 29, 2016. He resigned on September 28, 2016.

As noted in the report, within one week of the former Executive Director's separation, the Board invited the Auditor General to conduct a performance audit of the PPA's human resources policies, procedures and processes. Independent of that review, the Board and senior management staff took additional steps to insure that the work of the PPA continued and began a comprehensive review of all PPA operations and policies.

Inadequate and outdated sexual harassment policy and lacking training.

On October 13, 2016, the approximate time this audit started and within weeks of the removal of the former Executive Director, the Board approved a new sexual harassment and reporting policy. Though the audit report spends significant time reviewing the 2006 policy we were disappointed that the new policy, which was shared at the beginning of the process, was not thoroughly reviewed as a part of the audit. The new policy has been vetted by the PPA's human resources consultant and outside counsel who agreed that it meets the highest standards in addressing this issue. We believe all the issues raised with regard to the old policy have been addressed in the new policy. We will review the specific items mentioned in the report here.

The report notes:

Although Section 409 generally defined what sexual harassment is and the potential consequences if violations occur, the policy did not address the following:

- Explaining how employer will help prevent and/or address violations of their policy.

PPA Response – Agree, and the PPA addressed this issue in the harassment section of the revised Employee Manual. Though training is not addressed in Section 409 Section 403 provides "The Authority provides initial and on-going training of all employees related to the requirement of this manual, including the importance of providing a safe, inclusive and harassment free work place. The training will

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include guidance on the manner in which to report workplace concerns or problems. The Authority will repeat this training for every employee no less than every two years.” In addition to the training provision, the policy in Section 408, requires that the process for filing a complaint be posted at every PPA work site.

- Expressing strong disapproval – make it clear by telling all employees that sexual harassment will not be tolerated at the PPA.

PPA Response – Agree and the PPA addressed this issue in Section 408 of the revised Employee Manual states that such conduct “is prohibited and may lead to disciplinary action up to and including termination.” Additionally, the Executive Director has introduced all sexual harassment training session with a clear admonition that harassing conduct is prohibited and will not be tolerated.

- Establishing how the employer and employee should respond to incidents of sexual harassment.
- Informing employees of their rights and how to raise the issues.
- Incorporating a detailed mechanism by which employees can make complaints when sexual harassment occurs and how the employer will address the sexual harassment complaint.

PPA Response – Agree, and Section 409.1 of the revised Employee Manual sets out the process of reporting allegations of sexual harassment and the PPA’s responsibility in reporting, investigating, and resolving sexual harassment complaints.

- Stating that retaliation against any person who has filed a sexual harassment complaint or who has participated in a sexual harassment investigation is strictly prohibited.

PPA Response – Agree and the PPA addressed this issue in Section 409.1 states: “The Authority will not retaliate, and will not permit retaliation by any Authority employee or agent, against any employee who makes in good-faith a complaint of harassment, discrimination, bullying, or retaliation. If an employee believes he/she has suffered retaliation because of a report made under this Section, they should report such retaliation using the same procedure set forth in this Section.”

The report notes the lack of sexual harassment training for several years, however it does acknowledge that training began in November 2016. The total number of employees to date who have completed the training is now 911 (89%). We anticipate all employees will be trained by August 17, 2017.

The report also notes that there is not a mechanism for tracking training received by employees. Aside from sign-in sheets and certificates of completion placed in each employee’s file, there is not a separate system in place. The PPA has appointed an employee in the Human Resources Department to track all employee training. A spreadsheet is kept for each training

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course including the date an employee completed the training or the date the employee is scheduled to take the training.

Further, the report notes the following:

PPA's policies did not address the following:

- Language regarding the policy's application of its protections beyond the workplace. It should apply anywhere employees act on behalf of the employer (e.g., at an off-site client meeting) or attend an employer-sponsored event (e.g., holiday party).

PPA Response – Agree, and an amendment to the Employee Manual was approved by the Board on June 28, 2017 to incorporate language addressing this issue.

- Encourage employees to report discriminatory conduct through the appropriate channels. Employees must believe that they can complain without fear of reprisal in any form, and that the employer will issue the appropriate sanction, including termination, against any individual found to have discriminated, harassed or retaliated.

PPA Response – The revised Employee Manual approved by the Board on May 31, 2017 addresses this issue in Section 409 with regard to harassment and Section 410 with regard to bullying each contain this provision: "The Authority encourages the prompt reporting of all perceived incidents of [harassment or bullying] pursuant to Section 409.1, regardless of who the alleged offender may be." With regard to reprisal, as indicated earlier, Section 409.1 states: "The Authority will not retaliate, and will not permit retaliation by any Authority employee or agent, against any employee who makes in good-faith a complaint of harassment, discrimination, bullying, or retaliation. If an employee believes he/she has suffered retaliation because of a report made under this Section, they should report such retaliation using the same procedure set forth in this Section."

- Outlining the employer's investigative process.

PPA Response – Agree, and as indicated previously, Section 409.1 of the revised Employee Manual approved by the Board on May 31, 2017, clearly enunciates the investigative process.

- Promote confidentiality.

PPA Response – Agree and the revised Employee Manual, approved by the Board on May 31, 2017 includes the following in Section 409.1 d.: "Although the Authority will take reasonable steps to handle the complaint in a discrete manner, it cannot promise confidentiality. In most cases, the investigation will include notifying the person accused of harassment, discrimination, bullying, or retaliation (respondent), of the allegations and will interview them accordingly."

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The PPA acknowledges that it does not currently have an EEOC officer as noted in the report. We will work expeditiously to develop a position description and identify the appropriate person to assume that role. We anticipate appointing someone to the position within 180 days.

Recommendations for Finding 4

We recommend that the PPA:

1. Revise and update its employment policies and develop a timetable for ensuring through a regular review process that the policies remain current.

PPA Response – Agree, and as noted previously, the Board HR Committee will require from the Executive Director at the end of each fiscal year, a report reviewing the provisions of the Employee Manual with recommendations on amendments to insure the policies are consistent with best practices for public employees.

2. Consider adding language to Section 409 to include training as an integral mechanism for PPA to help prevent sexual harassment in the workplace awareness to all employees.

PPA Response – Agree, and this issue has been addressed by adding a new Section 403 to the Employee Manual. It requires initial training on all provisions of the Employee Manual, including sexual harassment, for new employees as well as repeat training for all employees at least every two years.

3. Consider adding language to Section 408 to include training as an integral mechanism for PPA to help make employees aware of and possibly prevent (harassment) in the workplace.

PPA Response – Agree, and this issue has been addressed by adding a new Section 403 to the Employee Manual. It requires initial training on all provisions of the Employee Manual, including sexual harassment, for new employees as well as repeat training for all employees at least every two years.

4. Consider adding language to Section 408 to include how the policy applies beyond the workplace.

PPA Response – Agree, and an amendment to the Employee Manual was approved by the Board to address this issue at their meeting on June 28, 2017.

5. Establish a deadline for ensuring all current PPA employees receive sexual harassment training.

PPA Response – Agree, and sexual harassment training will be completed for all employees by August 17, 2017.

6. Establish a deadline for ensuring all current PPA employees receive diversity/discrimination training.

PPA Response – Agree, and we will develop a plan for the recommended training within 180 days and identify a time frame for completing the training for all employees.

7. Consider revising the diversity training presentation to specifically address PPA's policies regarding discrimination and to address what employees should do if they believe that they have been discriminated against or harassed.

PPA Response – Agree, and we will revise the curriculum to add that information.

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8. Develop a process and procedure for tracking employment training (beyond sign-in sheets) for PPA employees to ensure all employees have received required training including sexual harassment and diversity/discrimination training.

PPA Response – Agree, and the Human Resources Department now maintains a spreadsheet on training listing all employees and the date he or she completed the training. The notification of an employee's training date and a copy of the certificate of completion are also maintained in the employee's personnel file.

9. Assign responsibility as to who specifically is responsible for tracking attendance.

PPA Response – Agree, and there is an employee in the Human Resources Department responsible for that task.

10. Provide sexual harassment and diversity training to all future employees as they are hired.

PPA Response – Agree, and we are in the process of including both in the training curriculum.

11. Establish a timeframe for periodically providing refresher sexual harassment and diversity training to all employees.

PPA Response – Agree, and the revised Employee Manual requires refresher training on all provisions of the Manual including sexual harassment at least every two years.

12. Consider designating an employee as the EEOC officer for the PPA.

PPA Response – Agree, and a position description will be developed and an appointment made within 180 days.

Finding 5 – PPA's hiring practices show a closed hiring process totally controlled by the former Executive Director.

The report reviews aspects of the hiring process in place during the tenure of the former Executive Director and supports this finding with the following conclusions:

The PPA does not dispute the conclusions of the Report in Finding 5. However, the actions taken immediately upon the separation of the former Executive Director by both senior management staff and the Board demonstrate a recognition that the process put in place by the former Executive Director was seriously flawed and its correction was the top priority. As a result the following steps were taken to address these issues:

- On the day the former Executive Director was suspended, the Deputy Executive Directors informed the management staff that all hiring and promotions were frozen until a process could be put in place to review vacancies to determine if they were necessary to fulfill our mission and to establish a documented hiring and promotion process.
- On October 13, 2016, the Board directed staff to prepare a Request for Proposals for a consulting firm to review all human resources policies, procedures and processes.
- The new Executive Director confirmed the hiring and promotion freeze and directed staff to write new procedures for vetting vacancies and for hiring and promotions.

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- In December 2016, the new Executive Director initiated the requirement that position vacancies be posted on the PPA web site as well as at all PPA facilities.
- Also in December 2016, the new Executive Director required that applications for employment would be accepted during all hours PPA offices are open and had the application for employment posted on the web site.
- The Board approved a contract to review human resources policies, procedures and processes.
- On March 31, 2017, the Board approved Standard Operating Procedures for reviewing requests to fill vacant positions and for a documented process for hiring and promotions.
- In May 2017, the Senior Director of Human Resources began an audit of every active employee file to ensure all required documents are in place. A list is being prepared for each deficient file and employees will be required to complete missing documents.

Recommendations for Finding 5

We recommend that the PPA:

1. Create a culture that instills transparency, openness, and fairness as the foundation of the hiring process.

PPA Response – Agree, and as indicated above significant steps have been taken to address this recommendation. Posting positions on the web site, opening the application process through the web site and expanded hours to submit applications, documented procedures for assessing vacant positions and for hiring and promotion all contribute to addressing this recommendation. Equally important has been the commitment of the Board and senior management to this process. PPA leadership has embraced this transformation to our employment practices and invites continued monitoring to through the Board HR Committee.

2. Establish that the HR Department control all aspects of the hiring process which would include the following:

- a. Distributing and collecting and maintaining employment applications.

PPA Response – Agree and in place.

- b. Receiving the requests to fill job openings or create additional positions.

PPA Response – Agree and in place.

- c. Providing candidates' applications to respective department managers for selecting candidates to interview.

PPA Response – Agree and in place.

- d. Receiving the written results of interviews (e.g. recommendations) from department managers.

PPA Response – Agree and in place.

- e. Bringing post-interview job recommendations to a Deputy Executive Director and Executive Director for discussion and written approval or disapproval.

PPA Response – Agree and in place.

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- f. Handling pre-employment testing and validating prior work experience, temperament, and education by contacting references and prior employers as well as obtaining verification of education, if necessary, based on the position.
PPA Response – Agree and this will be part of the HR SOPs to be presented to the Board for approval within 180 days.
3. Require the respective department managers to interview candidates that they believe will best fit the available job positions using the employment applications maintained in the HR Department.
PPA Response – Agree, and in place.
4. Prohibit the Executive Director from interviewing candidates unless they are at a department manager level or higher.
PPA Response – We will review this recommendation as HR SOPs are developed.
5. Establish a formal process in policy with written procedures for all aspects of the hiring process including how to request to fill a position and how to create a new position.
PPA Response – Agree, and the process has been in place since it was approved by the Board on March 31, 2017.
6. Develop a standard form(s) for department managers to request to fill positions or to request to create new positions. The form(s) should include the position to be filled or created, the justification for filling the position, and signature lines as to who requested the position to be filled and who should approve the position.
PPA Response – Agree, and the process has been in place since it was approved by the Board on March 31, 2017.
7. Ensure that the HR Department retains the form(s) noted in item 6 above to ensure that an audit trail regarding the need for this position is maintained.
PPA Response – Agree, and the process has been in place since it was approved by the Board on March 31, 2017.
8. Consider posting entry-level positions on its website so the general public and PPA employees are aware of what positions are available at PPA.
PPA Response – Agree and all vacancies and related job descriptions (whether union or non-represented) as well as promotional opportunities are now automatically posted on the website and at all PPA job sites, as directed by the new Executive Director.
9. Consider revising its employment application to include a section with personal references.
PPA Response – Agree, and we will implement this recommendation within 180 days.

Finding 6 – Lack of adequate policies, procedures and supervisory oversight has led to ineffective due diligence in screening potential new employees.

This finding addresses certain policy and process weaknesses with regard to the Human Resources Department. As noted previously, the Board approved Standard Operating Procedures for evaluating requests to fill vacancies as well as for hiring and promotions. A continuing review of all human resources policies and procedures is ongoing and there will be

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additional requests for Board approval which will take into account the recommendations in this report.

Recommendations for Finding 6

We recommend that PPA:

1. Revise the HR Standard Operating Procedures Manual to include specific procedures regarding pre-employment testing for all job classifications as well as what documentation must be retained within all employee files maintained by HR.

PPA Response – Agree, and a comprehensive review of the HR Standard Operating Procedures Manual will be completed within the next 180 days and will be submitted to the Board for approval.

2. Once HR's Standard Operating Procedures Manual is revised – periodic reviews and updates of the manual should be conducted to remain current.

PPA Response – Agree, and the SOP Manual will be reviewed at least annually and the Senior Director of Human Resources will submit a report to the Executive Director. This review will be included with the report from the Executive Director to the Board Human Resources Committee at the end of each fiscal year.

3. Require all HR policies to be in writing and approved by the Board.

PPA Response – Agree, and as noted in 1 above, the SOP Manual and related policies will be submitted to the Board for approval in the same manner the vacant position review, hiring and promotion SOPs were approved on March 31, 2017.

4. Compile its HR policies (and other policies) into a single document or manual and distribute to appropriate employees.

PPA Response – Agree, and this will be part of the review process to be completed and submitted to the Board for approval within 180 days.

5. Implement adequate supervisory oversight over the HR hiring process to ensure that HR policies are adhered to, including all employment forms being properly completed, signed, and retained.

PPA Response – Agree, and an audit of current employee files is underway to insure all necessary forms are in place and missing documents will be completed by the employees and placed in the files. Going forward, this process will be part of the new SOPs and specific staff in the HR Department will be responsible for compliance.

6. Require HR staff to print and retain the results of the inquiry regarding whether the potential employee owed any fees or fines to the PPA, or at a minimum, the handwritten notes should be initialed and dated to document when the review took place and by whom.

PPA Response – Agree and a form will be developed to provide documentation of this process and it will be included in the revised SOPs to be approved by the Board within 180 days.

7. Consider asking the Philadelphia Police Department to provide the actual background check clearance printout in instances where there is not a clean criminal record.

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PPA Response – Agree, and we will review this recommendation with the Philadelphia Police Department to determine if they are able to provide that report.

8. Develop a policy regarding the results of criminal background checks. Items to be considered include:
- Establishing which job classifications must have a clean background clearances.
 - Establishing which criminal convictions would preclude someone from being hired at the PPA.
 - Establishing the number of years from which a criminal conviction previously occurred to be considered for hiring.
 - Establishing a case-by-case decision-making process and PPA official responsible for making the decision.
 - Whether or not potential employees can start work prior to the receipt of the completed criminal background checks or the background check coming back with a “pending” status by the PPD and PSP.

PPA Response – In light of the changing standards with regard to hiring individuals with prior criminal convictions in public employment, the PPA will seek input from other public sector employers. A policy will be developed, including consideration of each element of this recommendation, to be presented to the Board with the revised SOPs within 180 days.

9. Require criminal background decision-making, if discretionary, be documented and placed in the employee’s file.

PPA Response – Agree, and this will be part of the review discussed in response to recommendation 8 above.

10. Develop written procedures for handling PSP background checks that come back with a Pending status.

PPA Response – Agree, and this will be part of the revised SOPs to be presented to the Board within 180 days.

11. Immediately follow up with PSP on the two current employees identified during the audit that had pending PSP criminal background clearances. Once received, based on PPA policies, PPA needs to determine whether these individuals can and should remain employed.

PPA Response – Agree, and that will begin immediately.

12. Immediately review its PSP background results for all current employees, identify any other employees that had pending PSP background check results, and immediately follow up with the PSP to get the completed clearance results. Once received, PPA needs to determine whether these individuals can and should remain employed.

PPA Response – Agree, and that will be part of the audit of current employee files which is underway.

13. Ensure that all employees sign and return their PPA Employee Manual verification form and the form is retained in the employee’s file.

PPA Response – Agree, and this is part of the audit of current employee files which is underway.

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14. Ensure that all employee action forms are properly approved and retained in employees' files.

PPA Response – Agree, and this will be part of the revised SOPs to be submitted to the Board within 180 days.

15. Require the HR personnel who enter new hire information (or other changes, such as promotions, termination, etc.) to have a properly signed action form authorizing this action before entering this information into the payroll system.

PPA Response – Agree, and the requirement for documentation in this recommendation will be included in the revised SOPs to be presented to the Board within 180 days.

16. Establish supervisory oversight within the HR department and or the payroll department over additions and changes entered into the payroll system through developing written procedures to ensure the information entered is accurate. If supervisory oversight is established within the payroll department, the HR department should send the properly signed employee action form to the payroll department.

PPA Response – Agree, and this will be incorporated into the revised HR and Payroll department SOPs to be presented to the Board within 180 days.

17. Create and/or review and update job descriptions for all current job classifications and date when the job descriptions are updated or created.

PPA Response – Agree, and the Senior Director of Human Resources has recommended a comprehensive review of all job descriptions which will include the standard elements of duties and responsibilities and general qualifications but will add required certifications, driver's license requirements, criminal background provisions, and other elements unique to each position. This recommendation will also be included in the review. Our tentative completion date is March 31, 2018.

18. Establish a schedule to periodically review and update job descriptions and ensure that any newly created job classifications have job descriptions.

PPA Response – Agree, and this will be part of the revised SOPs to be presented to the Board within 180 days.

19. Require all employees, through policy, to sign job descriptions.

PPA Response – Agree, and this will be part of the revised SOPs to be presented to the Board within 180 days.

20. Consider revising the job description to include a line for the employee's supervisor to sign the job descriptions to indicate approval of the job description.

PPA Response – We will review this recommendation in our evaluation of the job descriptions.

21. Ensure the signed descriptions are required to be retained in each employee's files.

PPA Response – Agree, and this will be part of the revised SOPs to be presented to the Board within 180 days.

22. If employees are promoted or change positions, develop a process for ensuring that the employees timely sign a new job description for the new job classification.

PPA Response – Agree, and this will be part of the revised SOPs to be presented to the Board within 180 days.

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We again wish to thank the Auditor General and his staff for the time and effort they have put into producing this report. While reading it has been difficult, we recognize it as an objective roadmap for continued fundamental improvement. We are hopeful that the broad changes occurring now, both in consideration of this report and otherwise, are going to result in a sense of pride and accomplishment.

The Board's commitment moving forward is to create enduring structures that will insure integrity throughout the PPA. The people we serve and the employees of the PPA deserve nothing less. We know that we will be measured by what we do next. Maintaining integrity requires constant reevaluation and adjustment to changing environments and challenges. We are up to that task and look forward to supporting Philadelphia's transportation system with the highest standards of public service.

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Auditors' Conclusions to the Philadelphia Parking Authority's Response

The Philadelphia Parking Authority (PPA) in its response acknowledges that the PPA “fell short” in how it demonstrated compliance with the highest standards of public service during the tenure of the former Executive Director. It further explains the realization by the Board of the climate that “was created in which the former Executive Director controlled the information flow to the Board and other staff felt that an attempt to communicate concerns involving the former Executive Director’s conduct would result in retaliation.” This admission demonstrates PPA’s desire to move forward and put changes in place to ensure that similar occurrences never happen. We hope that PPA develops and implements sufficient management controls and its Board properly oversees its Executive Director to allow PPA to efficiently and effectively operate and be accountable to the citizens it serves.

PPA has agreed with or will consider all the 73 recommendations contained in the report. PPA’s response indicates that many of these recommendations have been implemented or will be implemented in the near future. We are pleased with PPA proactively addressing our concerns. However, with regard to PPA’s response, the following items require further clarification:

Finding 3

With regard to the former Executive Director’s actions regarding manipulating the leave records of senior-level management, PPA’s response includes a statement which says, “No actions were taken at the direction or even at the request of subordinate staff.” We however disagree with this statement. One of the documents provided by PPA was a memorandum from a senior-level management employee to the former Executive Director which stated, “I am respectfully requesting that he be allowed to carry over his entire amount of accumulated vacation time [1,227 hours] into 2014.” This memorandum was signed by the senior-level management and was marked “OK” with the former Executive Director’s initials. Because the policy only allows 1,125 vacation hours be carried over, this request did violate PPA’s policy and does not coincide with PPA’s above statement, regarding actions by the former Executive Director were not being initiated or requested by others.

With regard to the two hearing examiners not working the minimum 13-day per month requirement, PPA’s response indicates that our conclusions drawn from our analysis is unreliable. We clearly explain that we were limited as to available documentation to determine whether this requirement was met. As noted in the finding, we conservatively gave each Hearing Examiner credit for a full day no matter what time of day the Hearing Examiner scanned their badge to gain access. Although PPA indicates that we may be missing time as to when the Hearing Examiner worked, PPA cannot provide any documentation proving how many days the Hearing Examiners in fact worked. As a result, PPA is in agreement with our recommendations in this area. The finding remains as stated.

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Appendix A

Objective, Scope, and Methodology

The Department of the Auditor General conducted this performance audit in order to evaluate the adherence to and effectiveness of the Philadelphia Parking Authority's (PPA) rules and procedures.

We conducted this audit in accordance with applicable *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Objective

Our audit objective was to determine the adherence to and the effectiveness of PPA's employment policies and procedures, including policies and procedures related to prohibiting sexual harassment and discrimination in the workplace.

Scope

This audit covered the period July 1, 2014, through April 30, 2017, unless otherwise indicated, with updates through the report date.

PPA management is responsible for establishing and maintaining effective internal controls to provide reasonable assurances that the PPA is in compliance with applicable laws, regulations, contracts, grant agreements, and administrative policies and procedures.

In conducting our audit, we obtained an understanding of PPA's internal controls, including any system controls, if applicable, that we considered significant with the context of our audit objective.

For those internal controls that we determined to be significant within the context of our objective, we also assessed the effectiveness of the design and implementation of those controls as discussed in the *Methodology* section that follows. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objective are included in this report.

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Methodology

To address our audit objective, we performed the following:

- Obtained and reviewed PPA's Employee Manual to include the following policies in effect during the period July 1, 2014, through May 31, 2017, with the exception of sections 408, 408.1 409, 409.1, & 417 that were created or revised on October 13, 2016:
 - Section 102 Qualifications for employment
 - Section 103 Job classifications
 - Section 109 Separation from the authority
 - Section 201 Salary Scale
 - Section 202 Cost of Living adjustments (COLA)
 - Section 205 Overtime compensation
 - Section 305 Leave Benefits
 - Section 401 Equal Employment Opportunity policy
 - Section 403 Announcement of new positions
 - Section 408 Harassment
 - Section 408.1 Bullying
 - Section 409 Sexual Harassment
 - Section 409.1 Reporting and Review
 - Section 417 Dispute Resolution/Grievance Procedures
 - Section 506 Group Retirement Medical, Prescription, Dental, and Vision Plans
- Obtained and reviewed relevant laws, regulations, and guidelines including the Equal Employment Opportunity Commission (EEOC) and Pennsylvania Human Relations Commission (PHRC) policy guidelines related to Sexual Harassment and Discrimination including Title VII of the Civil Rights Act (unlawful employer practices) and PA Human Relation Guidelines (section F prevention).
- Researched best practices regarding sexual harassment, discrimination and Employer hiring policies and procedures.
- Researched the background and responsibilities of the PPA by reviewing its website; Financial Statements, Required Supplementary Information, and Other Financial Information for years ended March 31, 2015 and 2016 & Independent Auditors' Report, Baker Tilly; appropriate legislation; and newspaper articles.

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- Conducted various interviews with the following:
 - Deputy Executive Directors
 - Human Resources (HR) Director
 - Senior Director of Administration
 - Chairman of the Board
 - Director of Parking Management
 - Senior Human Resources Generalist
 - Executive Assistant to the former Executive Director
 - Chairman of the HR Committee
 - Payroll Supervisor
 - Director of Payroll
 - On-Street Parking Manager

We did this to obtain an understanding of the processes, practices and controls including oversight used by PPA regarding the audit objective, including hiring and time and attendance. In several areas, there were either no written policies or procedures or the existing policies were inadequate.

- Obtained and reviewed the following:
 - The PPA's Conflict of Interest Policy signed by the former Executive Director
 - The Public Official and Employee Ethics Act
 - PPA Board Bylaws dated November 2006, July 2015, and December 2015
 - PPA Board meeting minutes from July, 1 2014, through December 31, 2016
 - PPA's Mission Statement
 - Collective Bargaining Agreements between the PPA and labor unions that were in effect during the audit period
 - U.S. Department of Labor data on the Consumer Price Index
 - The definition of Internal Auditing from the Institute of Internal Auditors
 - Newspaper articles applicable to PPA from September 2016 through March 2017
- Obtained and reviewed Exhibit V, a PPA Board Resolution, which established the Human Resources (HR) Committee in order to determine its organizational structure, purpose and responsibilities. The exhibit was from the monthly board meeting held July 22, 2015.
- Obtained and reviewed the HR Committee's written procedures for approving Employee Actions to gain an understanding of this process.
- Obtained and reviewed salary information, including Employee action forms and COLA approval documentation for the former Executive Director.

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- Compared salaries for the 30 PPA senior-level management employees (pay range A22 or higher) between July 1, 2014, to October 31, 2016, and inquired as to the reasoning for the changes. We assessed the reasons provided for consistency and validated the COLA increases with the COLA increases outlined in the collective bargaining agreements.
- Obtained and reviewed the former Executive Director's September 28, 2016, *Benefits Manager Employee Attendance Summary Report* to ascertain his leave balances at the time of his resignation. This report included all leave activity from July 1, 2013, through September 28, 2016. We analyzed the report to assess whether the former Executive Director was properly accumulating leave and the leave balances were reasonable based on policies noted in PPA's Employee Manual. We did not detail test any leave records, including controls over approving leave. We interviewed personnel related to how leave was approved and requested further information if the leave activity did not appear to be reasonable.
- Reviewed pertinent sections of PPA's Employee Manual to determine the amount of leave benefits and compensation time could be accrued by the former Executive Director.
- Obtained and reviewed the former Executive Director's initial and revised requests for his accumulated leave payout. We also obtained and reviewed a written analysis regarding PPA's internal review of the former Executive Director's leave pay-out request and also an evaluation of the pay-out request conducted by an outside law firm. Finally, using the leave records provided by PPA we conducted our own evaluation and recalculation of the former Executive Director's pay-out.
- Obtained and reviewed *Benefits Manager Employee Attendance Summary Reports* (leave records) that contains detail leave activity for the period January 1, 2014, through April 30, 2017, for 6 of the 31 PPA senior-level management employees. We judgmentally selected these six based on selecting the three Deputy Executive Directors, the Director of Payroll (who controls the leave records), and two employees that had high leave balances. We analyzed these leave records to determine whether these employees were properly accumulating leave and the leave balances were reasonable based on policies noted in PPA's Employee Manual. We did not detail test any leave records, including controls over approving leave. We interviewed personnel related to how leave was approved and requested further information if the leave activity did not appear to be reasonable.
- Obtained and reviewed a leave balance report as of November 18, 2016, for all PPA employees and another report that identified the 31 employees who were compensated at pay range A22 or higher in order to review and analyze the compensatory balances for all 31 employees as of November 18, 2016.

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- Obtained and reviewed the PPA memorandum sent on November 17, 2016, by the HR Director to each employee who was compensated at a pay range A22 or higher in order to determine the changes made to the Employee Manual regarding comp time.
- Requested documentation to substantiate who manipulated the leave payroll records. PPA could not provide documentation in several cases; therefore, we could only obtain testimonial evidence. We are forwarding this report to the Office of Attorney General and to the State Ethics Commission to review the pertinent matters identified.
- Obtained and reviewed sections of the U.S. Fair Labor Standards Act pertaining to compensatory time for executive level management employees.
- Obtained and reviewed the two hearing examiners' employment letters in order to determine how many hours and days per month each of those hearing examiners were required to work. We identified one of the hearing examiners, because the employee was included as one of the 60 new hire employees selected for testing discussed later in this methodology. The second hearing examiner was identified by inquiring as to whether PPA had other hearing examiners. PPA only has two hearing examiners.
- Obtained and reviewed Doors.Net Standard Edition reports and the TLDClerk electronic calendar for the period February 2016 through October 2016 showing when the two hearing examiners were scheduled for hearings in order to determine if the two hearing examiners met the conditions of their employment.
- Interviewed the complainant who filed the 2015 sexual harassment complaint against the former Executive Director and other PPA employees with knowledge related to the two incidents to gain an understanding as to what occurred. We did not interview or correspond with the former Executive Director.
- Compared the sexual harassment and harassment (discrimination) policies effective during the former Executive Director's tenure and compared them to best practices.
- Performed a cursory review of the revised sexual harassment and harassment (discrimination) policies that were approved by the Board in October 2016 to determine if the deficiencies identified by our comparison of the former policies were addressed.
- Inquired as to training that was performed regarding sexual harassment and discrimination. PPA provided sign-in sheets and presentation documentation regarding training that took place beginning November 2016 through March 2, 2017. We did a cursory review of the presentation documentation to determine whether the presentation covered necessary information. We also inquired as to how PPA was tracking training.

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- Obtained information from PPA regarding other sexual harassment and discrimination complaints that were filed between July 1, 2014, and October 31, 2016. We attempted to confirm the population of discrimination complaints with the EEOC and/or the PHRC, but due to confidentiality restrictions, the EEOC and PHRC could not confirm.
- Of the 60 new hire employees discussed below, we obtained and reviewed a listing provided by PPA that showed 54 of the new employees were hired to fill vacant positions and 6 were hired to fill newly created positions.
- Reviewed PPA's website to determine if entry-level positions are posted for the general public's awareness.
- Reviewed PPA's employment application to determine adequacy.
- Requested HR's policies and written procedures for how a new hire is to be processed and what information is needed prior to the new employee's hire date and obtained and reviewed HR's Standard Operating Procedures Manual.
- Judgmentally selected 60 employees that were hired from July 1, 2014, to October 31, 2016. Our judgement included selecting employees with different job classifications, selecting employees that were hired throughout the period, and selecting employees with last names associated with either senior management, PPA board members, or Philadelphia City Council members. We excluded employees that were hired as interns or had been previously hired by PPA.
- As part of our new hire testing of 60 employees, we reviewed each hire's employment files to determine if appropriate documentation is retained and all pre-employment testing results were completed prior to hire. These included signed completed application, I-9 form, employment letter, approved employee action form, drug testing, background checks, PPA violations, written test and driver's license for certain job classifications, and verification form that the employee read and understood the PPA Employee Manual. We also noted that there were no signed job descriptions in their employment files.
- Requested the job descriptions for the 21 positions related to the 60 new hires noted above and obtained 19. We attempted to analyze whether these job descriptions were current by the date on the job description, if there was any date.

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Data Reliability

Government Auditing Standards require us to assess the sufficiency and appropriateness of computer-processed information that we use to support our findings, conclusions, or recommendations. The assessment of the sufficiency and appropriateness of computer-processed information includes considerations regarding the completeness and accuracy of the data for intended purposes.

We obtained computer-processed data from the PPA which we used as audit evidence in this report, including the following:

1. PPA *New Hire Reports* for July 1, 2014, through June 30, 2015, and from July 1, 2015, through October 31, 2016. These reports listed a total of 382 employees hired during these time periods. We also obtained *Active Employee Listings* as of July 1, 2015, July 1, 2016, and October 31, 2016.
2. *Benefits Manager Employee Attendance Summary Reports* (leave records) for the former Executive Director and six senior management employees, and a master report listing leave balances for all PPA employees as of November 18, 2016, including 31 senior-level management employees.
3. Doors.Net Standard Edition and the TLDClerk electronic calendars for two hearing examiners during the period February 2016 through October 2016.

In order to assess the completeness and accuracy of the PPA *New Hire Reports* for July 1, 2014, through October 31, 2016, and *Active Employee Listing* as of October 31, 2016, we performed the following:

- We interviewed officials responsible for data entry and obtained an understanding of the IT environment.
- To evaluate the completeness of the 382 new hires reported on the new hire reports, we traced 241 employees from the active employee listings who had recorded hire dates from July 1, 2014, through October 31, 2016, to the new hire reports. We also confirmed that the remaining 141 employees included on the new hire reports were terminated as of October 31, 2016, and therefore, appropriately not included on the active employee listings.
- To verify completeness of the active employee listing as of October 31, 2016, we reconciled employee names on the active employee listing to the PPA payroll report for the period October 15, 2016, through October 30, 2016.

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- For 30 senior-level management employees, we agreed the salaries included on the active employee listing as of October 31, 2016 to the payroll report for the period October 15, 2016 through October 31, 2016.
- To test the accuracy of the new hire listings, we selected 60 out of 382 new employee's hired from July 1, 2014 through October 31, 2016 from PPA New Hire Reports, comparing the employee's or applicant's last name, first name, job title, starting salary, and original date of hire with the information recorded on the employee action form and letter of hire contained in the employee's personnel file.

Based on the above, we found no limitations with using the data for our intended purposes. In accordance with *Government Auditing Standards*, we concluded that PPA's computer-processed data related to PPA's New Hire Reports and Active Employee Listings was sufficiently reliable for the purposes of this engagement.

In order to assess the completeness and accuracy of PPA's Time and Attendance Reporting System, we obtained and reviewed the *Benefits Manager Employee Attendance Detail Report* (leave report) for the former Executive Director for the period July 1, 2013, through September 28, 2016, and six senior-level management employees from January 1, 2014, through April 30, 2017. We also obtained and evaluated a leave balance report for all PPA employees as of November 18, 2016. PPA identified 31 employees who were compensated at pay range A22 or higher. In order to review and analyze those records for reasonableness and compliance with applicable policy requirements, we performed the following procedures for the former Executive Director and six senior-level management employees:

- We interviewed officials responsible for data entry and obtained an understanding of the IT environment, including interviews related to overrides and manipulations along with reviewing documentation, if available, to validate who initiated the manipulations.
- We reviewed administrative, compensatory, sick, and vacation leave earned, used, and accrued for compliance with employment policies.
- Individual employee leave balances were totaled and traced to a master time and attendance system report provided by the PPA as of November 18, 2016 to validate the accuracy of the leave balances contained on that report.
- Where we identified evidence of errors and manipulations, we conducted additional interviews with PPA management and traced to source documents, when available.

Based on the above, in accordance with *Government Auditing Standards*, we concluded that PPA's Time and Attendance System data in total was sufficiently reliable for our intended purposes in this engagement.

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In regard to the Doors.Net Standard Edition and the TLDClerk electronic calendar, we performed the following:

- Utilized the door scan reports (Doors.Net Standard Edition) for February 2016 through October 2016 to count the number of days the two hearing examiners accessed PPA facilities in order to determine if they met their thirteen days per month reporting condition of employment. These reports electronically track the time and date of when the hearing examiners accessed PPA facilities using their PPA ID badges.
- Utilized the monthly calendar of scheduled hearing days (TLDClerk) from February 2016 through October 2016 to review the number of hearings each month that the two hearing examiners were scheduled for in an attempt to determine if the two hearing examiners met their thirteen days per month reporting condition of employment.
- Compared the door scan reports from Doors.Net to the monthly calendar of scheduled hearing days from TLDClerk. We conservatively only cited absences for the two hearing examiners when not included on either system.

We did not validate the information in the door scan reports or the calendars noted above. As such, in accordance with *Government Auditing Standards*, we deemed that PPA's computer-processed data that was provided in this testing area was of undetermined reliability for the purposes of this engagement; however, this was the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our findings, conclusions, and recommendations.

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Appendix B

PPA Leave Balances for Senior-Level Management

PPA Employees at Pay Range A22 and Higher Leave Balances as of November 18, 2016 (in hours)									
Employee	Admin Leave ¹	ALX ²	Comp ³	Drs. Visit ⁴	FAL ⁵	Holiday Comp ⁶	Illness	Vacation	Grand Total
1	15.00	-	0.38	-	-	-	1,842.79	389.40	2,247.57
2	15.00	-	41.64	6.00	-	-	238.65	69.27	370.56
3	22.50	7.50	45.70	10.00	-	-	675.93	739.97	1,501.60
4	22.50	15.00	448.50	20.00	-	127.50	1,253.04	1,191.92	3,078.46
5	15.00	7.50	5.14	-	-	-	534.38	157.85	719.87
6	-	-	228.06	24.00	-	16.00	359.16	21.35	648.57
7	22.50	7.50	248.75	16.00	30.00	7.50	2,969.32	1,090.04	4,391.61
8	15.00	15.00	49.61	12.00	-	7.50	1,081.94	329.15	1,510.20
9	22.50	15.00	68.13	12.00	-	-	523.07	185.97	826.67
10	15.00	-	199.00	12.00	-	7.50	2,793.37	1,121.08	4,147.95
11	22.50	15.00	0.75	2.00	-	7.50	1,633.63	324.61	2,005.99
12	7.50	-	1.56	2.00	-	-	1,142.69	984.60	2,138.35
13	15.00	15.00	128.25	18.00	-	15.00	651.30	942.38	1,784.93
14	7.50	7.50	65.75	20.00	-	7.50	1,146.99	261.88	1,517.12
15	15.00	-	162.37	20.00	-	7.50	1,140.43	514.17	1,859.47
16	15.00	-	168.50	16.00	-	-	771.64	402.41	1,373.55
17	22.50	7.50	164.42	8.00	-	-	1,104.89	1,015.64	2,322.95
18	-	-	131.60	8.00	-	-	1,104.48	141.29	1,385.37
19	15.00	-	0.50	10.00	-	7.50	714.70	368.57	1,116.27
20	7.50	-	-	-	-	-	200.64	10.84	218.98
21	22.50	7.50	122.21	2.00	-	-	649.08	19.94	823.23
22	7.50	7.50	93.87	16.00	-	-	545.96	291.85	962.68
23	-	-	197.68	14.00	-	52.00	575.91	639.91	1,479.50
24	-	-	0.90	18.00	-	-	551.28	146.55	716.73
25	15.00	-	2.50	12.00	-	-	231.57	159.47	420.54
26	7.50	15.00	73.50	20.00	-	7.50	199.62	100.10	423.22
27	-	-	38.50	-	-	-	14.42	7.21	60.13
28	15.00	7.50	5.25	10.00	-	-	1,751.52	444.62	2,233.89
29	22.50	15.00	129.50	10.00	-	-	1,670.07	1,097.41	2,944.48
30	7.50	-	0.14	18.00	-	-	269.34	100.65	395.63
31	22.50	7.50	14.87	12.00	-	-	1,059.67	511.13	1,627.67

¹ Administrative Leave is awarded to full-time employees at the rate of six days per year and must be used in that year.

² Employees who use no sick time in the calendar year are awarded two additional administrative leave days in the following year. Employees using less than five sick days are awarded one additional administrative leave day.

³ Eligible employees may elect to receive compensatory time in lieu of overtime pay.

⁴ Employees may take a two-hour leave, up to ten times per year, for a doctor's visit if they give notice two days prior and provide a medical certificate within 48 hours of their return.

⁵ Furlough administrative leave days were granted to senior management to compensate for pay reductions from 2007-2011.

⁶ Holiday comp days are recorded when a holiday falls on a Saturday.

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Appendix C

Distribution List

This report was distributed to the following officials:

The Honorable Tom Wolf
Governor

Mr. Joseph T. Ashdale
Board Chairman
Philadelphia Parking Authority

Ms. Clarena Tolson
Executive Director
Philadelphia Parking Authority

The Honorable James F. Kenney
Mayor
City of Philadelphia

Mr. Alan Butkovitz
City Controller
City of Philadelphia

Mr. Darrell L. Clarke
Council President
City Council
City of Philadelphia

Mr. Mark Squilla
District Council Member
City Council
City of Philadelphia

Mr. Kenyatta Johnson
District Council Member
City Council
City of Philadelphia

Ms. Jannie Blackwell
District Council Member
City Council
City of Philadelphia

Mr. Curtis Jones, Jr.
District Council Member
City Council
City of Philadelphia

Mr. Bobby Henon
District Council Member
Majority Leader
City Council
City of Philadelphia

Ms. Maria D. Quinones-Sanchez
District Council Member
City Council
City of Philadelphia

Ms. Cindy Bass
District Council Member
City Council
City of Philadelphia

Ms. Cherelle Parker
District Council Member
City Council
City of Philadelphia

Mr. Brian J. O'Neill
District Council Member
Minority Leader
City Council
City of Philadelphia

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Ms. Blondell Reynolds Brown

Council Member At Large
Majority Whip
City Council
City of Philadelphia

Mr. Allan Domb

Council Member At Large
City Council
City of Philadelphia

Mr. Derek Green

Council Member At Large
City Council
City of Philadelphia

Mr. William K. Greenlee

Council Member At Large
Majority Deputy Whip
City Council
City of Philadelphia

Ms. Helen Gym

Council Member At Large
City Council
City of Philadelphia

Mr. David Oh

Council Member At Large
Minority Whip
City Council
City of Philadelphia

Mr. Al Schmidt

Board Member
Philadelphia Parking Authority

Mr. Andrew K. Stutzman, Esquire

Board Member
Philadelphia Parking Authority

Mr. Alfred W. Taubenberger

Board Member
Philadelphia Parking Authority
Council Member At Large
City Council
City of Philadelphia

Mr. Russell Wagner, CPA

Board Member
Philadelphia Parking Authority

Ms. Karen W. Wrigley, D.O.

Board Member
Philadelphia Parking Authority

The Honorable Randy Albright

Secretary of the Budget
Office of the Budget

The Honorable Joseph M. Torsella

State Treasurer
Pennsylvania Treasury Department

The Honorable Josh Shapiro

Attorney General
Office of the Attorney General

The Honorable Sharon P. Minnich

Secretary of Administration
Office of Administration

Mr. Robert Caruso

Executive Director
State Ethics Commission

Mr. Brian Lyman, CPA

Director
Bureau of Audits
Office of Comptroller Operations

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Ms. Mary Spila

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