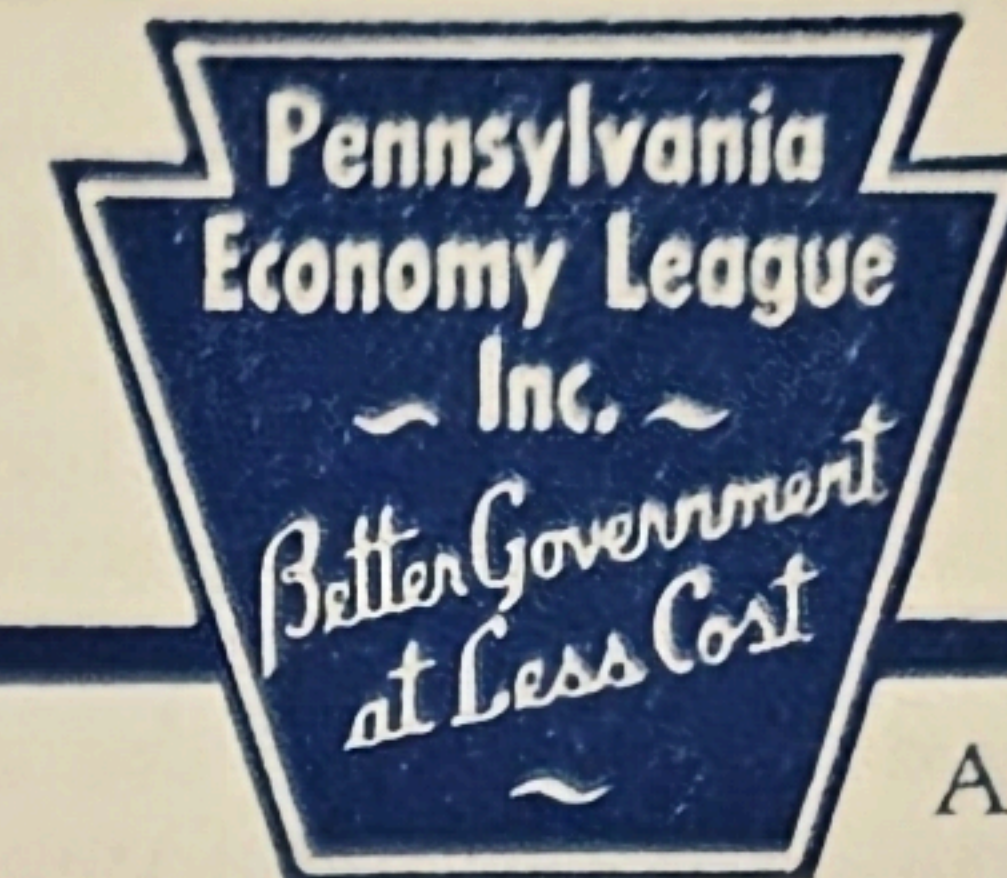


# Your Dollar's Worth

A BULLETIN OF THE SOUTHEASTERN DIVISION PENNSYLVANIA ECONOMY LEAGUE, INC.



April 2, 1951

## A New Charter for Philadelphia Framework for Growth

Today metropolitan Philadelphia stands on the threshold of a tremendous industrial expansion. Within the month ground has been broken for the building of a great steel center in lower Bucks County, not far from the Philadelphia city limits. Other steel interests have announced plans to build new plants in the Philadelphia area on the New Jersey side of the river. Already many associated industries are announcing plans to build in this area. The benefits of this expanded economic activity will be felt throughout Philadelphia and its environs.

If Philadelphia is to prosper under this development—provide good streets and traffic control; water; collection of wastes; fire, police and health protection; and meet the other standards that modern citizens require of local government—the basic provisions for our city government will need to be modernized.

At a special election on April 17, 1951, the voters of Philadelphia will have an opportunity to adopt a new charter. For the past year and a half the Home Rule Charter Commission appointed by the Mayor and the President of City Council, have been analyzing the defects in the structure of our city government. To correct these shortcomings, they have solicited, and received, the suggestions of interested citizens, have examined the charters of other large cities, have caused special research studies to be made, and benefitted from the advice of officials here and elsewhere whose counsel they have sought.

Their work represents the first full-scale, constructive attack on some of the failures in our present City Charter that have become so clear to all since the disclosures of the Committee of Fifteen.

It is significant that the members of the Home Rule Charter Commission have approached their task in a non-partisan spirit. Although they are all registered voters of Philadelphia and are nearly equally divided between the two major parties, they never divided in votes in the Commission on partisan lines. Moreover, the Charter, as filed, was approved by the Commission *unanimously*.

The Philadelphia Committee of the Pennsylvania Economy League, believing that the proposed Home Rule Charter is greatly superior to our present Legislative Charter, recommends a "yes" vote on all three questions before the electors on April 17th. These questions are:

### Question No. 1

Shall the "Philadelphia Home Rule Charter" filed by the Philadelphia Charter Commission with the Council of the City of Philadelphia on February 14, 1951, be adopted?

Yes  No

### Question No. 2

Shall the proposal to elect 10 district councilmen (each voter to vote for 1) and 7 councilmen-at-large (each voter to vote for 5) as provided in "Alternative A-1," filed with the Council on February 14, 1951, be adopted?

Yes  No

(A vote "No" will favor the insertion in the Charter of "Alternative A-2," providing for the present system of electing 22 district councilmen.)

### Question No. 3

Shall the Receiver of Taxes (called "Revenue Commissioner" in the proposed Charter) be appointed by the Director of Finance with the approval of the Mayor as provided in "Alternative B-1," filed with the Council on February 14, 1951?

Yes  No

(A vote "No" will favor the insertion in the Charter of "Alternative B-2," providing for election as at present.)

Some of the more important points at which the proposed charter is superior to what we now have will be discussed in this and succeeding bulletins.

### I. Financial Provisions

The proposed Home Rule Charter for Philadelphia goes a long way to correct many serious financial shortcomings of our present Charter. The new provisions should result in greater control over revenue collections, real auditing of expenditures, realistic budgeting, a proper accounting for city-owned property.

### Financial Administration Under The Mayor

Providing the next Mayor, as Chief Executive, with modern tools of financial administration, is one of the most important steps in the proposed new Charter. The Mayor would appoint a Director of Finance, from a list of three names to be submitted by the Finance Panel, who would be the "chief financial, accounting and budget officer of the city." The Finance Panel, under the proposed charter, is to consist of the Dean of the Wharton School of Finance and Commerce of the University of Pennsylvania (chairman), the President of the Philadelphia Clearing House Association, and the Chairman of the Philadelphia Chapter of the Pennsylvania Institute of Certified Public Accountants. These men are technicians in the field and should be able to nominate for the Mayor's consideration persons who are well qualified by training and experience to serve as Director of Finance, regardless of their political activity. The Director of Finance would then appoint, with the approval of the Mayor, the heads of the two de-

partments which he supervises: the Department of Collections which is responsible for collecting all taxes and other revenues due the City, and the Procurement Department which is responsible for the purchasing of supplies, materials, equipment, utility services, printing, the maintenance of city storehouses and control over the commodities stored in them, and the sale of surplus city property. The Procurement Department is also to compile and maintain current and comprehensive records of all the real and personal property owned by the City, and it is to let all contracts to be paid for with city funds, after advertising and the receipt of competitive bids.

### *Elimination of Elected Receiver of Taxes*

The Charter Commission recommends to the voters the elimination of the elected office of Receiver of Taxes. In considering this question, it is well to recall that the office is not one of wide policy-making significance, but rather a very important and technical one of administration. It is also worth noting that the chief tax collecting officials of the United States and the Commonwealth of Pennsylvania—the Secretary of the Treasury and the Secretary of Revenue—are not elected but rather appointed by their chief executives.

Under the present charter, although the Mayor is designated "Chief Executive" he has been largely denied the modern tools of financial management that would enable him to be the chief executive in fact as well as in name. For example, some of the City's chief financial officers who handle parts of financial administration that should be under the Mayor are now independent. The independently elected Controller is now the chief accounting officer of the City, and the independently elected Receiver of Taxes is now the principal revenue collecting agent of the City. The Mayor's responsibility for the preparation of the executive budget is, at present, shared with City Council through the recently created Budget Research Board.

### *Elimination of Inconsistencies*

Some of the greatest defects in the present Charter are inconsistent, ambiguous and unsound financial provisions, of which undoubtedly the most glaring example is the requirement that the elected City Controller be both the chief bookkeeper and also the auditor. It is futile to expect an independent audit under such circumstances.

The proposed Charter would correct this situation by leaving with the elected Controller the auditing function but giving the responsibility for the design, improvement and supervision of a uniform accounting system to the Director of Finance, under the Mayor.

### *Improved Accounting Methods*

The disclosure of widespread embezzlement in recent years in such city departments as Receiver of Taxes, Supplies and Purchases, Health and others, have pointed to the need for better accounting and better auditing methods, among other things.

The facts in this situation have been well established. In 1949 the national accounting firms of Price, Waterhouse & Company, Ernst & Ernst and Peat, Marwick and Mitchell, each operating independently, reported that their analysis of the records in the Office of Receiver of Taxes concerned with real estate taxes, with water and sewer revenues, and with the wage tax were lacking in the basic accounting controls. For instance, one of the auditor's reports said in speaking of the wage tax "The absence of adequate controls over the tax liability and

collection of taxes, the deficiencies in the accounting and office procedures and methods, and the poor condition of the records and data of the Bureau create a situation which, in our opinion, offer opportunities for substantial embezzlements with little chance of detection."

It was also pointed out by the auditors that ambiguity exists in the present charter and other statutory provisions relating to the accounting and other financial responsibilities of the Receiver of Taxes and the City Controller. This ambiguity partially explains the already noted shortcomings of the accounting system.

Under the proposed new charter this ambiguity has been removed. The Director of Finance has the exclusive power to prescribe the city's accounting system and his exercise of the power has been given real "teeth" by the provision, that if any agency fails to comply with the accounting requirements of the Director of Finance, he may decline to approve any requisition for the payment of money from an appropriation to such agency.

### *Strengthened Provisions for Auditing*

Events of the past few years have clearly shown that the auditing responsibilities of the City Controller have not been exercised in the usual meaning of the term. Thus, the Special Grand Jury in its final presentment of May 27, 1949, said "actually, it appears to be an undisputed fact that during Mr. Marshall's entire term of office (Receiver of Taxes) prior to 1948, no audit was made whatever of any of his accounts by the City Controller other than the daily check of the cashier."

Several facts explain this failure to make proper audits:

1. The present charter provisions on auditing are not modern in terminology or clear in meaning.
2. The Controller has not received sufficient funds for the employment of auditors.
3. There have not been sufficient auditors with proper qualifications.

Thus, while City Controllers have had the duty of making audits, they have not had the funds nor the staff to permit them to carry out this duty.

The proposed charter would aid in correcting this situation by the following provisions:

1. The Auditing Department of which the elected City Controller is the head "shall audit at least annually the affairs of every officer, department, board, including the accounts of any board of directors of city trusts, and commissions of the City and, as far as may be necessary, the accounts of any other agency receiving an appropriation from the City . . . an audit report shall be made on every audit . . . copies of all audit reports made by the Auditing Department shall be promptly submitted to the Mayor and to the Council."
2. "The amount appropriated to the Auditing Department shall be adequate to enable the City Controller to perform the duties of his office and of the Auditing Department. Should the Council fail to make an adequate appropriation to the Auditing Department, the City Controller may petition any Court of Common Pleas of Philadelphia County for a mandamus to the Council to perform its duty under this section."
3. "The City Controller shall appoint a certi-

fied public accountant as his deputy in charge of auditing and the auditors regularly employed by the Auditing Department shall be either certified public accountants, or graduates of colleges or universities who majored in accounting." Many city charters, including the present Philadelphia charter, provide that certain members of a board of health must be licensed physicians, and that the head of the City's legal department must be a lawyer licensed to practice before the Supreme Court of the State, but to require that the head of the City's auditing staff must be a C.P.A. is a novel and forward-looking charter provision.

4. "At least once in three years provision shall be made for the payment of compensation to a firm of certified public accountants to make an examination of the manner in which the Auditing Department performs its auditing duties. The Council shall by separate ordinance name the firm of certified public accountants to be engaged for this purpose."
5. Provision is also made for expert consulting services for the Auditing Department and for an annual audit of the expenditures of the Department.

### **Budgeting**

The Mayor's role as chief executive is materially strengthened by the proposed charter's provisions on operating budgets. In the past, by means of an exceedingly detailed budget which went so far as to specify in many cases the number and title of jobs and the salaries of each, the chief executive was placed in a financial straight-jacket to a large extent.

By way of contrast, the proposed charter states:

"All appropriations shall be made in lump sum amounts and according to the following classes of expenditures for each office, department, board or commission:

- (a) personal services.
- (b) materials, supplies and equipment.
- (c) debt service.
- (d) such additional classes as the Mayor shall recommend in his proposed annual operating budget ordinance."

This does not mean that the Mayor has a completely free hand in financial matters, for he is subject to the following controls:

1. Council's power to determine appropriations.
2. Council's power to make inquiries and investigations.
3. The requirement of the proposed charter that the Mayor shall communicate to the Council "such information on financial matters as the Council may from time to time request."
4. Annual financial statements required of the Director of Finance by the proposed charter.
5. Annual audits by the Controller.
6. Continuing accountability to the voters, who can remove him if he is unsatisfactory through the recall provisions of the proposed charter.

The proposed charter has a reasonably complete set of provisions relating to a capital budget, compared to

only the briefest reference to this matter in the present charter.

### **Fidelity Bonds**

The present charter requires fidelity bonds of certain city officers and employees, but in a detailed and piecemeal fashion. For instance, the present charter says that the City Treasurer and the City Controller shall "give bond as now provided by law," but it has no provision specifically requiring a fidelity bond for the Director of Supplies and Purchases. There is a general provision that "Every officer or agent receiving moneys for the City and payable to the City Treasurer shall give a bond for the faithful performance of his duty" but experience has shown that this wording is too narrow. For example, it did not require a fidelity bond covering a city employee who for years handled cash in a revolving fund.

The Charter Commission realized that the need to protect the City through fidelity bonds will vary with circumstances, and that detailed requirements as to who shall be bonded, and in what amount, should be avoided in a fundamental document like a charter. The proposed charter therefore contains a comprehensive requirement that "Before entering upon the duties of their respective offices or positions, the Managing Director, the Director of Finance, the City Treasurer, the Personnel Director, all department heads, and such other officers and employees of the City, including those of the Council, as the Administrative Board shall determine, shall execute and file with the Department of Records, corporate surety bonds, conditioned for the faithful performance of their respective duties in such penal sums as shall be fixed by the Administrative Board but the amount of the bond shall not in any case be less than five thousand dollars.

All such bonds and sureties thereon shall, before being accepted by the Department of Records, be approved by the Law Department."

There is also a general provision requiring the Administrative Board, (composed of the Mayor, Managing Director and Director of Finance) to determine which members of boards and commissions shall be covered by fidelity bonds and in what amounts.

### **City Officers Forbidden to be Bond Brokers**

In the past there has been considerable criticism of city officers and employees acting as brokers or agents on bonds required for city officers or employees.

The proposed charter seeks to end this activity by stating "No officer or employee whose compensation is paid out of the City Treasury shall directly or indirectly be the broker or agent who procures or receives any compensation in connection with the procurement of bonds for City officers or employees."

There has also been objection in the past to requiring city officers and employees, many receiving a very *modest* salary, to pay the premiums on their fidelity bonds from their own pockets. The proposed charter requires the costs of such fidelity bonds to be paid by the city.

### **The Cost of City Government Under the Proposed Charter**

Certain provisions in the proposed charter will permit a reduction in the cost of government. For instance, the Receiver of Taxes now maintains 8 branch offices in various parts of the city for the convenience of the tax-paying public. To operate these branch tax offices in 1951 there was appropriated \$107,302 for personal services and \$63,112 for rent. One provision of the proposed charter

would permit City Council to close these branch offices and save this money, by allowing banks in the city to receive tax payments in much the same way they do for the Federal government. This decision will be up to City Council.

The salaries of department heads are set forth in detail in the proposed charter, but these are to remain only until "Council shall otherwise ordain." Here again an important decision is up to Council.

As already noted, Council is to provide for an audit of the methods used by the Controller at least once every three years. Whether it will be made with this frequency, or annually, and whether the cost will be small or large is again a decision to be made by City Council.

It is reasonable to believe that such costs of tighter financial control will be money well spent in eliminating

the type of losses that are known to have occurred in the past.

Certainly, under the proposed charter, the annual expenditures for personnel administration will increase from about \$150,000 to about \$250,000. This increase will be necessary if Philadelphia is to enjoy the benefits of a modern, well-rounded personnel program.

It is impossible for anyone to say at this time whether the adoption of the proposed charter will increase the cost of government in the City because that depends on questions to be decided by future Mayors and City Councils.

It is fair to say, however, that the proposed charter is a basis for better governmental services to citizens of Philadelphia for the same number of tax dollars.



The Pennsylvania Economy League, a voluntary, non-partisan association of tax-payers, works for BETTER GOVERNMENT AT LESS COST. It believes that taxes should be levied only to the extent necessary for efficient business administration. It concerns itself with State and local expenditures, and with the establishment of sound fiscal policies, through day-by-day study made in cooperation with public officials.

#### PHILADELPHIA COMMITTEE

WM. W. BODINE, <i>Chairman</i>	CARL R. FREEHAFFER	ROBERT F. McCAMMON	EDGAR SCOTT
GUY P. BIBLE	GORDON A. HARDWICK	W. JAMES MACINTOSH	C. A. SIENKIEWICZ
ALEXANDER BIDDLE	NORMAN T. HAYES	JOSEPH B. PARKS	STEWART M. WALKER
RICHARD P. BROWN	ROY A. HEYMANN	JOHN C. PHILLIPS	FRANKLYN WALTMAN
GEORGE R. CONOVER	HOWARD COOPER JOHNSON	HUDSON W. REED	H. J. WARD

#### EASTERN FINANCE COMMITTEE

ALEXANDER BIDDLE, <i>Chairman</i>	CHARLES B. GRACE	GILBERT MATHER	W. W. RHOADS
WM. W. BODINE	L. J. GUNSON	JOHN B. McCLATCHY	RICHARD ROLLINS
HENRY B. BRYANS	ORVILLE F. HAAS	E. B. MORRIS, JR.	F. C. SCHAUB
HAROLD W. BUTLER	ROY A. HEYMANN	GEORGE H. PABST, JR.	HAROLD C. STOTT
MRS. G. DAWSON COLEMAN	A. DEB. JOHNSON	JOSEPH B. PARKS	R. LIVINGSTON SULLIVAN
	DONALD MARKLE	T. L. PRENDERGAST	PAUL ZENS

## PENNSYLVANIA ECONOMY LEAGUE • INC

### SOUTHEASTERN DIVISION

376 BROAD STREET STATION, PHILADELPHIA 2, PENNSYLVANIA LOCUST 4-2288