



PHILADELPHIA GAS WORKS

800 West Montgomery Avenue • Philadelphia, PA 19122

February 11, 2026

Gemela N. McClendon, Esquire
Executive Director
Philadelphia Gas Commission
One Parkway Building
1515 Arch Street, 9th Floor
Philadelphia, PA 19102

RE: Responses to Data Requests

Dear Ms. McClendon:

Attached is the response to PA-CB-42.

Sincerely,

A handwritten signature in blue ink, appearing to read 'W. J. Gallagher', is written over a large, light blue, stylized flame or leaf graphic that occupies the right side of the page.

William J. Gallagher
VP Budget and Strategic Development

WJG/mlo'b
Attachments
cc: Service List

RESPONSE TO THE PUBLIC ADVOCATE'S DATA REQUEST
FISCAL YEAR 2027 CAPITAL BUDGET

PA-CB-42: Refer to 47-01-1-04. Please provide the internal audit report recommending the automation of the expense reporting process.

- a. How PGW determined how much expansion of the existing virtual desktop infrastructure was needed.

RESPONSE PROVIDED BY: Shane Mayo, Director, IT Finance & Service Management

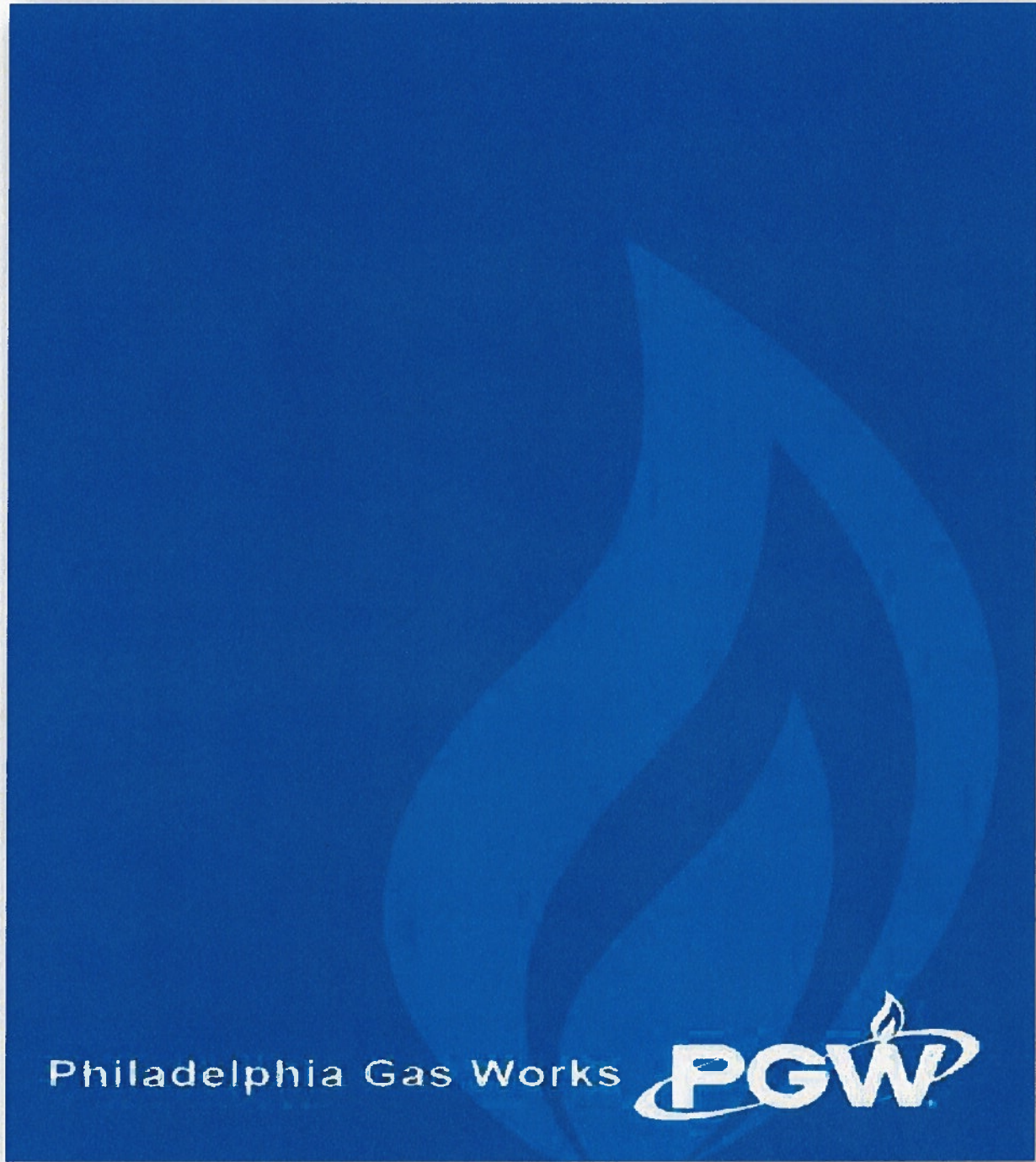
RESPONSE:

- a. Please see attached audit report



PGW_Employee
Expense Reimbuser

- b. There are no funds for the expansion of the existing virtual desktop infrastructure included in this project request.



Employee Expense Reimbursement – Internal Audit Report
August 2025

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1 | Executive Summary

The Internal Audit Department is a part of the Philadelphia Gas Works (PGW) organization. Plante Moran (PM) serves as co-source internal audit providers in collaboration with PGW's Internal Audit function (collectively referred to as the Internal Audit Department or IAD). IAD is intended to offer independent, objective assurance, advice, and insight to PGW's risk management, governance, and internal controls; enabling PGW to achieve its organizational goals.

IAD (with PM serving in an advisory capacity) performed our annual review of PGW's *Employee Expense Reimbursement (EER)* program. PGW's Treasury & Cash Management Department is primarily responsible for management and oversight of the program. Advances and reimbursements made to employees for the Fiscal Year 2024-2025 totaled \$438,400.

The objective of our review was to evaluate the effectiveness of program processes and assess overall compliance with established internal guidelines and procedures.

The scope of our review focused on expense advance and reimbursement activity during Fiscal Year 2025 from September 2024 through July 2025. Audit objectives included:

- Assess the adequacy of established internal guidelines, policies, and procedures
- Evaluate the effectiveness of segregation of duties, process controls, and access controls applicable to program processes and systems
- Assess the appropriateness of document retention procedures
- Review a sample of expense reimbursement and advance transactions to test for appropriate justification, review and approval, accuracy of amounts disbursed, and documentation/ evidence in support of paid expenses

IAD found the overall design, processes, supporting control functions, and management oversight of PGW's EER program to be effective in helping to achieve program objectives and adequately aligned with internal policies, procedures, and guidelines. Our review resulted in the identification of one opportunity for enhancing PGW's existing EER process. This is included in our report as follows:

- *Continue to explore options for leveraging an online or software system to manage the EER process*

This audit was conducted by PGW's Internal Audit Department and included a detailed review of various program documents and interviews with representatives from PGW's Treasury & Cash Management department. Additionally, the results of our audit were shared with PGW's management to respond to the recommended enhancement.

2 | Audit Summary

2.1 | Background

PGW's EER program offers reimbursements (and advances) to allow employees the ability to recover business-related expenses they may initially pay for out-of-pocket to cover anticipated expenses. In line with PGW's policy, "*Employee Travel & Entertainment Expense - #014-1*", PGW reimburses employees who incur travel and entertainment expenses deemed reasonable and necessary in their normal course of conducting business on behalf of the organization. Such expenses include but are not limited to, air and rail travel, hotel accommodation, automobile rentals, meals, and other miscellaneous costs. In compliance with established guidelines, policies, and procedures, all expense reimbursements and advances require submission of employee expense reports and employee travel expense advance request forms for appropriate management review and approval. Physical documents are used in preparing and submitting requests along with manual signatures for review and approval. The following outlines the program's general procedures and practices that are currently in place:

- Allowance for payroll advances for certain travel expenses (i.e., travel, lodging, per diem) subject to managerial approval
- Expense Advance Request Forms are used in documenting formal requests for payroll advances which should be submitted at least two weeks ahead of travel date; advances are administered via employee paychecks
- Any unused advance amounts should be returned to Treasury; otherwise deducted from the employee's paycheck
- Expense Reports are used in documenting formal requests for expense reimbursements and are subject to both Treasury Management and (respective) Departmental review and approval for appropriateness, legitimacy, completeness, and accuracy
- Expense Reports should be accompanied by supporting documentation (i.e., invoices, receipts, statements) and submitted within 30 days of expenses incurred

2.2 | Rationale & Risk Assessment

The focus of our audit was not to look for fraud, but rather to ensure that controls are in place and operating effectively to mitigate the risk of fraud. Reimbursement activity is grouped into three categories which include: (a) employee advances, (b) executive reimbursements (for executive-level personnel and above), and (c) non-executive reimbursements (for personnel below executive-level). For the current period under review (September 2024 through July 2025) PGW paid \$438,400 in total combined advances and reimbursements to employees. Amounts of \$47,500, \$62,800, and \$328,000 were paid across employee advances, executive reimbursements, and non-executive reimbursements, respectively. (*See Appendix A for year-over-year activity comparisons*). Expense reimbursements and advances are common ways in which asset misappropriations and fraud have the highest potential of occurrence.

Given the nature of PGW's EER program, there are several risks which could pose a negative impact on organization-wide objectives including financial, operational, fraud, and reputation. The following are potential risks, identified during our initial risk assessment, relevant to the EER program. These risks are universally applicable to all organizations and were tested during our review procedures:

- Noncompliance with established guidelines, policies, and procedures
- Unauthorized, inaccurate, or duplicate processing of advances or reimbursements
- Advance or reimbursement of prohibited or fictitious expenses
- Reputational harm or adverse public perception

2.3 | Work Performed

Our scope focused on reimbursement and advance activity ranging from September 2024 through July 2025 and included the review of a selection of requests fulfilled for employee advances, employee reimbursements for executive-level personnel and above, and employee reimbursements for personnel below executive-level. IAD worked with PGW's Treasury & Cash Management Group in obtaining monthly payroll paycheck earnings reports. These reports were used to identify all reimbursement and advance transactions that occurred during the period under review. IAD grouped all activity into three categories consisting of: (a) employee advances, (b) employee reimbursements (for executive-level personnel and above), and (c) employee reimbursements (for personnel below executive-level). For our detailed testing procedures, IAD judgmentally selected a total sample of 38 transactions between all three categories. Following is a list of attributes tested as part of our review procedures:

- Advance request forms and expense reimbursement reports are complete with appropriate justification for and details of travel
- Advance request forms and expense reimbursement reports are complete with appropriate signature(s) for approval
- Advance request forms and expense reimbursement reports are complete with supplemental documentation to support noted expense(s)
- Advance request forms and expense reimbursement reports are submitted to Treasury Management in a timely manner/ within established timeline
- Advance request and expense reimbursement amounts are accurate with payroll amounts paid
- Advance request and expense reimbursement amounts paid are within established program limits

3 | Results & Findings

As a result of our review, IA determined that the overall design of PGW's EER Program, along with supporting process controls, are generally effective in managing the risks identified. *(See Appendix B for matrix of control functions in place)*. The following were found in light of our performed procedures:

- PGW maintains a formal policy specific to employee travel and entertainment expense reimbursements and advances
- Adequate segregation of duties noted between Treasury & Cash Management and Payroll department personnel in carrying out program processes and procedures
- For all transactions selected and tested, advance request forms and expense reimbursement reports were complete with appropriate justification for and details of travel
- For all transactions selected and tested, expense reimbursement and advance amounts requested were accurate with payroll amounts paid
- Sufficient documentation provided support of appropriate requests and approvals required for all expense reimbursements and advances
- For all transactions selected and tested, expense reimbursement and advance amounts paid were within established program limits
- For all transactions selected and tested, expense reimbursement reports and advance request forms were submitted and subsequently processed timely and within established program timelines
- Management's document retention practices align with established internal policies and guidelines for safe and secure retainment of program files

4 | Observations & Opportunities for Improvement

As a result of our review, IA identified one opportunity for enhancement as referenced below:

Observation No. 1

Although process design and supporting control functions support the achievement of overall objectives and alignment with internal policies, PGW's EER program lacks any electronic or automated component. Expense reimbursement and advance requests are handled manually, which could give way to processing errors and inefficient workflows. Per discussions with management, IA notes that the department, in collaboration with PGW's Information Technology/ Information Systems group, has considered implementing an electronic management system to increase efficiency.

Improvement Opportunity No. 1

Management's continued partnership with IT/IS and pursuit of implementing an automated system could prove to be beneficial. Increased efficiency, accuracy and workflows, improved financial visibility and control, and enhanced employee satisfaction through faster processing are all benefits that could be realized through leveraging an automated system. Ultimately, management's decision on using any sort of electronic/automated system (whether external or internal to the organization) should be made with a cost-benefit analysis in mind. IA will continue to promote its availability to assist the Treasury Management Group in any capacity that encourages streamlining of the EER process and works to increase program efficiency and effectiveness.

Management Response - Observation No. 1

PGW's Treasury Department personnel processes approximately 44 expense reports per month, or about 2 per workday. Expense reports are currently submitted electronically in an excel format to a Treasury Department Analyst. The detailed attachments include original receipts and various other supporting data. The expense reports are reviewed for appropriate supporting data and for compliance with PGW's expense report policy. The manual review of the expense report has been an effective internal control so far. Finance will, however, review available automated options, complete a cost benefit analysis to determine the viability of the project, and report findings and recommendations to the PFMC Finance Committee in the second quarter of calendar year 2026.

5 | Appendix A: Annual EER Activity Comparison

Employee Expense Reimbursement Activity – Year-Over-Year Comparison				
Category	09-/01/2023 – 07/31/2024	09/01/2024 – 07/31/2025	Dollar (\$) Change	Percent (%) Change
Employee Advances	\$23,338	\$47,539	+\$24,201	+104%
Executive Reimbursements	\$53,366	\$62,831	+\$9,465	+18%
Non-Executive Reimbursements	\$236,565	\$328,077	+\$91,512	+39%
Total	\$313,269	\$438,447	+\$125,178	+40%

6 | Appendix B: Controls Matrix

Employee Expense Reimbursement – Controls Matrix

Control Function	Control Description
Governing Policies & Procedures	Define (un)allowable expenses, set limits, require receipts, communicate policies
Advance Pre-Approval Requirements	Require prior approval for trips, conferences, and major purchases
Segregation of Duties	Different individuals request, approve, and process reimbursements
Enforced Timely Submission	Require submission within a set period, late submissions need extra approval
Reimbursement Via Payroll (not cash)	Processed through weekly payroll, avoid petty cash, maintain audit trail
Independent Management Review & Approval	Spot-checks, validity, and anomaly detection of expense reports
Receipt Verification & Documentation	Require itemized receipts, invoices, and relevant supporting documentation

Thank You!

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www.pgworks.com

Philadelphia Gas Works

