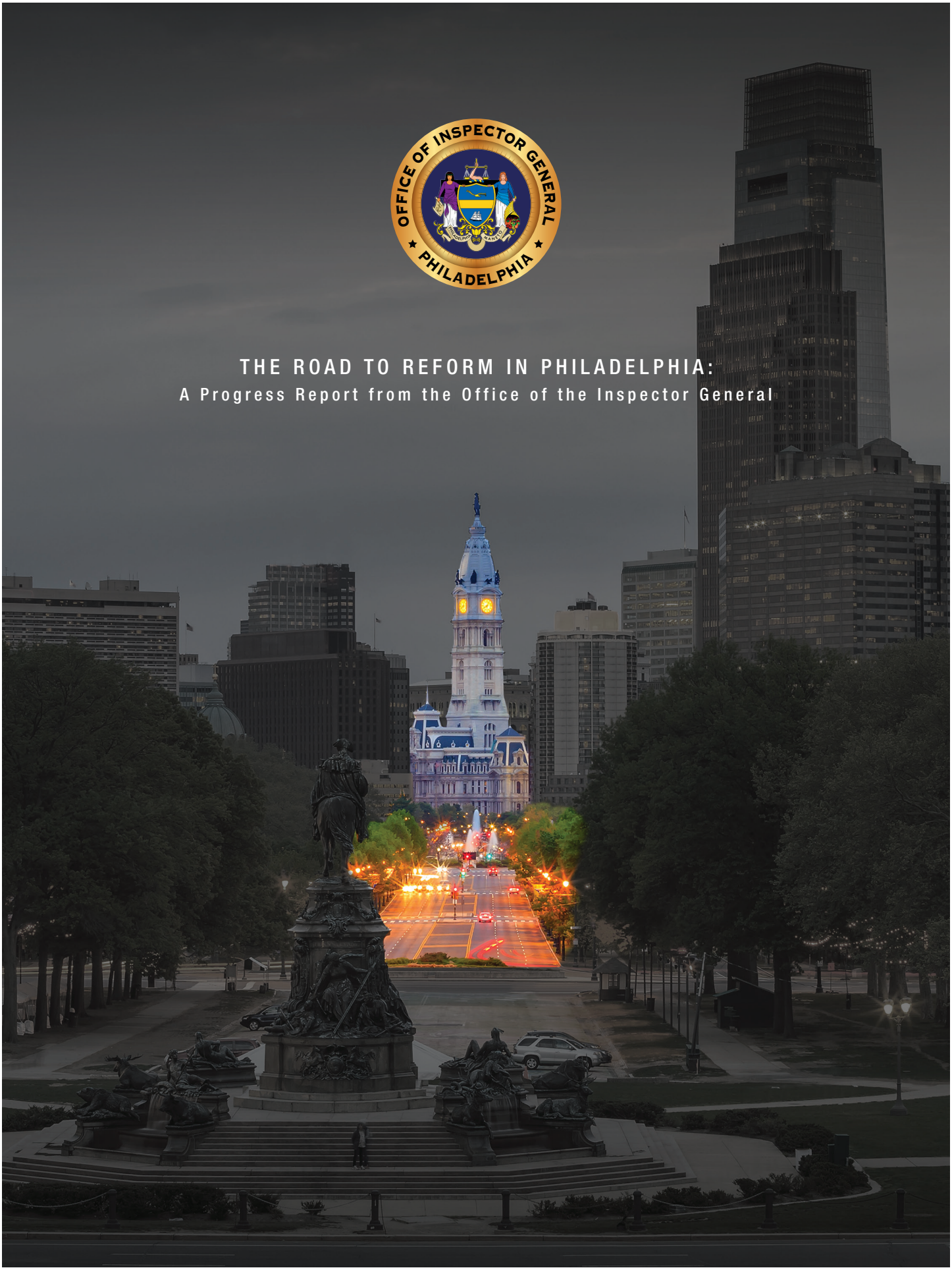
THE ROAD TO REFORM IN PHILADELPHIA:

A Progress Report from the Office of the Inspector General



"AS I REFLECT ON MY TIME AS MAYOR, I'M DEEPLY MOVED BY HOW MUCH THE CULTURE IN CITY HALL HAS CHANGED OVER THE LAST EIGHT YEARS."

– Mayor MIchael Nutter

Photo by Kait Privitera

THE INAUGURATION of Mayor Michael Nutter in January 2008 marked a watershed moment in Philadelphia politics. Nutter had run on a public integrity platform, and one of his first orders of business was to give the Office of the Inspector General (OIG) the support and resources it needed to root out corruption in City government.

Mayor Nutter's investment has paid off over and over again, proving to be one of his administration's crowning achievements. This report chronicles the history and the impact of that investment. It is the story of how much progress Philadelphia has made on the road to reform and what must be done to ensure that City government lives up to its principles and its potential.

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A MESSAGE FROM THE INSPECTOR GENERAL

Philadelphia is a more ethical, transparent and accountable City than it ever has been—a major milestone for a government once considered to be hopelessly corrupt.

We've shown taxpayers that we can police ourselves and clean our own house. We've sent the unequivocal message that City employees are not for sale—that those who ignore the rules will face serious consequences.

All of this was possible because of Mayor Nutter's unwavering commitment to public integrity. The culture that he instilled in City Hall laid the groundwork for City employees to come forward with serious allegations of fraud and misconduct, without the fear or threat of retaliation.

The Mayor's outspoken support for the Office of the Inspector General made all the difference. Managers throughout City government knew that the Mayor respected our investigative findings and recommendations for discipline. He expected them to do the same. When misconduct was serious enough to warrant criminal charges, the Mayor embraced the opportunity for the City to be a law enforcement peer and ally, not a passive bystander.

None of this was easy. Culture change never is. It took an institutional commitment to reform to erase the shame of our City and restore the public's trust in government. That trust is fragile. It will fall apart if we don't nurture it. That's why the hardest part is yet to come. The decisions we make in the coming months and years will determine what kind of City we are and what we stand for.

No matter what direction this government takes, integrity has to remain its bedrock principle. If we lose sight of that, we are at a far greater risk of fraud and misconduct. But if we continue to get it right, there are no limits to what this City government can achieve.

Sincerely,

Amy L. Kurland

A MESSAGE FROM THE MAYOR

As I reflect on my time as Mayor, I'm deeply moved by how much the culture in City Hall has changed over the last eight years. The perception that Philadelphia is corrupt and contented has fizzled out, and the City's many talented and motivated civil servants can go about their business with a sense of pride and purpose.

One of the driving factors behind the City's culture shift has been a strong and visible Office of the Inspector General. Prior to my administration, the OIG had limited resources and a small group of investigators. It could only do so much to root out fraud and corruption.

I had a different vision for the OIG. I wanted the office to be a central player in my administration's efforts to make the City more ethical and accountable. I appointed Amy Kurland, a veteran federal prosecutor, to be my inspector general. I gave her the freedom and the budget she needed to turn the office into a force for reform. She has done just that, and the City is better for it.

I have no doubt that the OIG will continue to succeed after I move on, but its future is too important to leave in limbo.

Only an amendment to our Home Rule Charter can guarantee the OIG's independence and long-term stability, and only the citizens of Philadelphia can make that happen.

The longer we wait, the more uncertain the office's fate will be. I urge the leaders of our great City to put the OIG's independence to a vote as soon as possible.

Sincerely,

Michael A. Nutter

POWER IN NUMBERS

FINANCIAL RECOVERY

Recovery	$1,431,699.33
Restitution	$1,985,458.93
Fines	$5,476.00
Total Recovery	**$3,422,634.26**

FINANCIAL SAVINGS

Suspension	$29,735.50
Demotion/Salary Reduction *(2-yr projection)*	$34,077.36
Drop Savings	$36,177.50
Termination/Resignation *(2-yr projection)*	$1,852,087.76
PELP[1]	$2,646,281.75
Pension Savings[2]	$4,238,621.91
Total Savings	**$8,836,981.78**

$12,259,616.04
TOTAL SAVINGS AND RECOVERY

2015 CASE RESULTS

14	Arrests/Indictments
9	Convictions
16	Terminations/ Resignations
5	Suspensions
4	Demotions
9	Restitution Orders
3	Policy Recommendation Reports
4	Compliance Agreements/Debarments

YEAR	FINANCIAL SAVINGS AND RECOVERY[3]	ADMINISTRATIVE ACTIONS	ARRESTS, INDICTMENTS, INFORMATIONS
2008	$3,147,280	56	2
2009	$4,198,386	47	24
2010	$9,478,127	44	8
2011	$11,546,723	34	5
2012	$12,924,907	61	5
2013	$10,949,646	32	10
2014	$6,411,105	21	21
2015	$12,259,616	33	14
TOTAL	**$70,915,790**	**328**	**89**

MORE THAN 30 YEARS OF FIGHTING CORRUPTION

[1] OIG investigations often uncover significant inefficiencies that, if left unchecked, would cause economic loss. In such cases, OIG recommendations result in additional financial savings.

[2] Pension savings represents disqualification due to criminal conviction or withdrawal of contributions due to pending arrest or indictment. Pension disbursement savings is also significant if an employee is terminated or resigns as a result of an investigation.

[3] Financial savings and recovery numbers in the table on this page have been rounded for readability.

Photo by B. Krist for Visit Philadelphia™

THE ROAD TO REFORM began with significant upfront investments in structure, planning and people to create an environment for lasting change. With important partners in government and the broader community behind the OIG's mission, and with strong whistleblower protections in place, City employees could report allegations of fraud and corruption without fear of retaliation. The early cases that sprang from those complaints set the stage for the OIG's most impactful initiatives and citywide integrity programs.

LAYING THE FOUNDATION

THE FIRST LINE OF DEFENSE – EDUCATION & COMMUNITY OUTREACH

From day one, community engagement has been critical to the OIG's success. Inspector General Kurland has met with each and every City department, delivering anticorruption lessons and mission-driven messaging about the importance of public trust and upright City service. Kurland and her team have continued to recruit important allies along the road to reform by focusing on what works in City government and by finding ways to build on that momentum. The OIG has become a national and international leader in the field, passing on its best practices to newly formed public integrity offices around the world.

THE INTEGRITY OFFICER PROGRAM

In 35 City departments, OIG-trained Integrity Officers work closely with the office to uphold the highest ethical standards in City operations. The Integrity Officers, who are sworn in each year at a ceremony in City Hall, also collaborate with OIG investigators, making them aware of problems and providing invaluable research, support and knowledge on the ground to aid the office in all its cases.

JOAN MARKMAN AWARD FOR INTEGRITY

Our partners act with integrity every day, but the OIG strives to recognize those who go above and beyond the call of duty with the Joan Markman Award for Integrity. Named in loving memory of the City's first Chief Integrity Officer, who passed away in 2015, the Markman award honors an individual who demonstrates a strong commitment to integrity, diligence and transparency on behalf of the City of Philadelphia. The 2015 recipient of the Markman award was Daniel W. Cantu-Hertzler, Esq., Chair of the Corporate and Tax Group at the Law Department.

Individuals who provide meaningful assistance in a significant OIG investigation are eligible for the award, which is handed out by the mayor in a ceremony in City Hall. The award comes with a $1,000 prize.

Past recipients of the award—previously known as the Inspector General's Integrity Award—include Indira Scott, Chief of Staff for the Free Library of Philadelphia; John Davis, an Administrative Officer for the Philadelphia Water Department; Ann Pasquariello, Divisional Deputy City Solicitor for Code Enforcement; and Special Agent Vicki Humphreys of the FBI.

SINCE 2008, CITY EMPLOYEES HAVE FILED OVER 700 COMPLAINTS. CITY RESIDENTS HAVE FILED MORE THAN 600.

COMMITMENT TO WHISTLEBLOWERS

The OIG works tirelessly to protect the identities of those who wish to remain anonymous when they report fraud and corruption. Whether they make a complaint to the OIG in person, over the phone or by email, tipsters can do so without fear of retaliation thanks to a whistleblower protection law enacted by the City in 2010. Without the hundreds of anonymous tips that come in from brave, committed citizens each year, the OIG's work would not be as effective.

DEVOTION TO PROFESSIONAL EXCELLENCE

Training of OIG staff is essential to maintaining the most highly skilled and experienced professionals in their fields. That is why we invest the necessary resources in specialized training and certifications for our team. More than 80 percent of our investigators are certified by the national Association of Inspectors General (AIG), and we have six Certified Fraud Examiners. OIG staff regularly participate in continuing education programs through the AIG, the Association of Certified Fraud Examiners (ACFE), the Center for the Advancement of Public Integrity (CAPI), the Philadelphia Bar Association, the Society of Corporate Compliance and Ethics (SCCE) and other professional development organizations.

ADMINISTRATIVE ACCOUNTABILITY

Upon her appointment, Inspector General Kurland made the strategic decision to focus on the cases where the OIG would have the biggest impact on City government. That meant prioritizing systemic solutions over quick fixes. It also meant that the City's various rules and regulations—and the consequences of breaking them—had to be clear in every department.

Theft of time and sick leave abuse cases were a testing ground for the OIG's impact-oriented approach. The OIG began to tackle clusters of misconduct in City departments by closely inspecting the scope of each problem and determining what had allowed it to occur. Poor supervisory oversight was a common theme. The OIG issued reports of investigation to department leaders detailing what had gone wrong and explaining how to fix it. The disciplinary actions that resulted from the OIG's investigations—ranging from suspension to termination—rippled through the ranks of City departments and deterred further misconduct.

SINCE 2008, MORE THAN 320 CITY EMPLOYEES HAVE BEEN HELD ACCOUNTABLE FOR WRONGDOING AS A RESULT OF AN OIG INVESTIGATION.

PENSION DISQUALIFICATION PROGRAM

Those who violate the public's trust are not entitled to the benefits of City employment. That is why the OIG partnered with the Law Department and the Board of Pensions to take pension funds away from City employees convicted of job-related felonies. That effort would save the City $24 million throughout the Nutter administration's eight years in office.

IMPACTFUL EARLY WORK

Impactful misconduct cases continued to be an important vehicle for change, but the OIG's mandate and mission to root out fraud and corruption paved the way for more complex cases and investigations. The OIG's significant early cases also set the stage for its major ongoing initiatives. The office proved itself to be competent and versatile as an investigative agency, capable of going wherever the road to reform would take it.

TANYA SMITH

In 2008, an OIG investigation determined that Tanya Smith, then acting Central Personnel Director, inappropriately interfered with a civil service examination to benefit her former secretary. After the investigation, Smith resigned in lieu of termination.

RAMON PABON

In 2008, a joint OIG-FBI investigation discovered that Ramon Pabon, a Records Department employee at the time, was preparing and selling fraudulent deeds. He was removed from his position and charged with wire fraud. He later pled guilty and was sentenced to two years in prison. On the heels of the Pabon case, the OIG developed significant expertise in property deed fraud cases and continued to win indictments in similar investigations.

CITIZENS' ALLIANCE

In 2010, at the request of the Delaware River Waterfront Corporation (DRWC), the OIG oversaw and assisted with a forensic audit and investigation of grants awarded to two nonprofit organizations: Spring Garden Community Development Corporation and Citizens' Alliance for Better Neighborhoods. The audit and investigation determined that the nonprofits had misspent or misappropriated approximately $5.4 million in grant funds.

Future grant payments to the nonprofits were canceled in response to the OIG's investigative findings and recommendations, netting a potential savings to taxpayers of more than $10 million. The OIG also helped the city negotiate a comprehensive settlement agreement with Citizens' Alliance.

Compliance agreements and financial recovery efforts would prove to be effective vehicles for reform in the years to come.

SINCE 2008, THE OIG'S PENSION DISQUALIFICATION INITIATIVE HAS SAVED THE CITY

$24 MILLION

Photo courtesy of Wikimedia Creative Commons

THE TURNING POINT

By 2011, it was clear that the Nutter administration's investment in the OIG had paid off. The office was saving or recovering millions of dollars for the City each year—far more than the OIG's annual budget. Public recognition poured in as landmark investigations led to culture change and major reforms in City government.

LIHEAP

Thirteen City employees were convicted of fraud-related charges after a multiyear investigation established that they had understated their income to be eligible for state and City utility-discount programs for the poor. Collectively, the employees had siphoned more than $500,000 in assistance funds away from truly needy families. The OIG collaborated with the Pennsylvania Office of the Inspector General, the Philadelphia Police Department and the Philadelphia District Attorney's Office on the case.

KELLY KAUFMANN LAYRE

City records clerk Kelly Kaufmann Layre and three accomplices were sentenced to federal prison and ordered to pay full restitution after a joint OIG-FBI investigation found they had defrauded the City of $600,000 worth of public-safety incident report fees. Tina Meyrick, Brian Daly and Paul Kling—the accomplices—had purchased the reports from Layre at a discounted rate.

MARA MANAGEMENT

Mara Management President Barry Jones was sentenced to federal prison and ordered to pay full restitution after an OIG investigation, conducted jointly with the FBI and the U.S. Postal Service, found that Jones had defrauded the City of more than $1 million by submitting false invoices for computer maintenance that had not been performed.

VERIZON REWARDS

Upon discovering that high-ranking officials had used a secret customer rewards account to order gift cards and luxury goods through the City's Verizon contract, the OIG shut down the account and brokered an agreement with Verizon to transfer $107,000 worth of rewards points to the City's PhillyRising program, which revitalizes blighted neighborhoods. One official was fired and another was suspended and demoted following the OIG's investigation.

DANIEL APOKORIN

Villanova businessman Daniel Apokorin was indicted and sentenced to federal prison after he tried to bribe both a Commerce Department official and an undercover federal agent. The Commerce official brought the case to the OIG, sending a clear message that City employees are not for sale.

WILLIAM BETZ JR. INC

William Betz Jr. Inc. agreed to a voluntary two-year suspension from City contracting after an OIG investigation established that the company's president had orchestrated a deal with JHS and Sons Supply Company and UGI HVAC Inc. to bypass the City's disadvantaged-business participation requirements. Betz and JHS had set up similar arrangements with several other companies. In all, the OIG signed 10 settlement agreements with companies that had used JHS to circumvent the City's disadvantaged-business participation requirements. As a result of the Betz cases, the OIG forged lasting partnerships with the Law Department and the Office of Economic Opportunity to hold companies that violate the participation requirements accountable through corporate compliance agreements and monetary settlements.

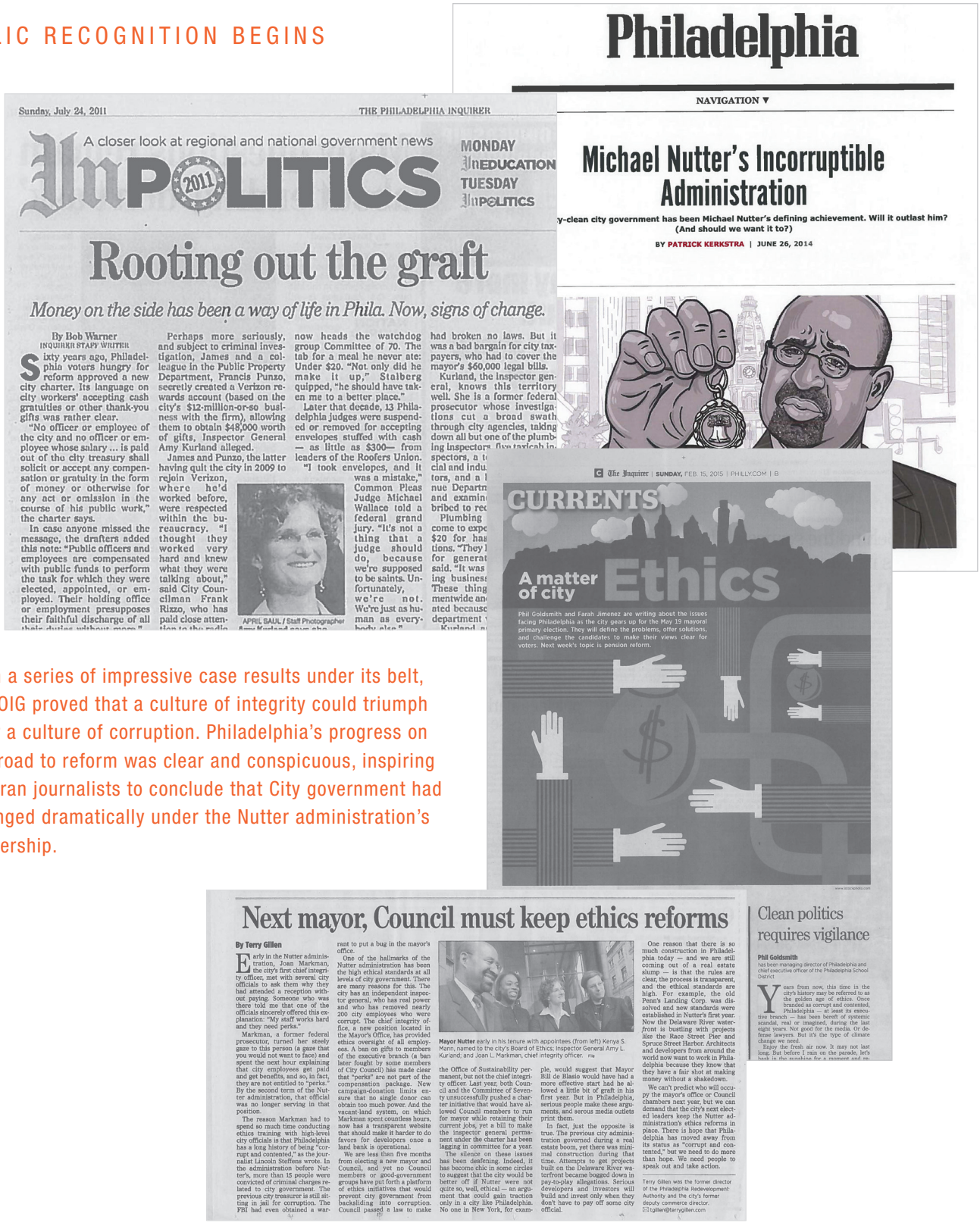
ARRA COMPLIANCE INITIATIVE

When the American Recovery and Reinvestment Act of 2009 brought $352 million in federal stimulus funds to the City and to other public agencies in the region, the OIG teamed up with the City's Chief Integrity Officer to prevent fraud and make sure the grant monies were spent appropriately.

The proactive ARRA compliance and control program began with a formal evaluation of 34 grants, all of which were ranked according to their level of fraud risk. After meeting with all of the ARRA grantees and providing fraud detection training to grant managers, the compliance team honed in on the riskiest grants, shoring them up for success with strong anti-fraud measures.

Upon completing all necessary compliance-review reports, the OIG and the Chief Integrity Officer helped the City successfully close out its ARRA program, minimizing waste, fraud and abuse from start to finish.

PUBLIC RECOGNITION BEGINS



Sunday, July 24, 2011 THE PHILADELPHIA INQUIRER

A closer look at regional and national government news

In POLITICS 2011

MONDAY In EDUCATION TUESDAY In POLITICS

Rooting out the graft

Money on the side has been a way of life in Phila. Now, signs of change.

By Bob Warner
INQUIRER STAFF WRITER

Sixty years ago, Philadelphia voters hungry for reform approved a new city charter. Its language on city workers' accepting cash gratuities or other thank-you gifts was rather clear.

"No officer or employee of the city and no officer or employee whose salary ... is paid out of the city treasury shall solicit or accept any compensation or gratuity in the form of money or otherwise for any act or omission in the course of his public work," the charter says.

In case anyone missed the message, the drafters added this note: "Public officers and employees are compensated with public funds to perform the task for which they were elected, appointed, or employed. Their holding office or employment presupposes their faithful discharge of all

Perhaps more seriously, and subject to criminal investigation, James and a colleague in the Public Property Department, Francis Punzo, secretly created a Verizon rewards account (based on the city's $12-million-or-so business with the firm), allowing them to obtain $48,000 worth of gifts, Inspector General Amy Kurland alleged.

James and Punzo, the latter having quit the city in 2009 to rejoin Verizon, where he'd worked before, were respected within the bureaucracy. "I thought they worked very hard and knew what they were talking about," said City Councilman Frank Rizzo, who has paid close atten-

APRIL SAUL / Staff Photographer

now heads the watchdog group Committee of 70. The tab for a meal he never ate: Under $20. "Not only did he make it up," Stalberg quipped, "he should have taken me to a better place."

Later that decade, 13 Philadelphia judges were suspended or removed for accepting envelopes stuffed with cash — as little as $300— from leaders of the Roofers Union.

"I took envelopes, and it was a mistake," Common Pleas Judge Michael Wallace told a federal grand jury. "It's not a thing that a judge should do, because we're supposed to be saints. Unfortunately, we're not. We're just as human as everybody else."

had broken no laws. But it was a bad bargain for city taxpayers, who had to cover the mayor's $60,000 legal bills.

Kurland, the inspector general, knows this territory well. She is a former federal prosecutor whose investigations cut a broad swath through city agencies, taking down all but one of the plumbing inspectors, five taxicab in-

Philadelphia

NAVIGATION ▼

Michael Nutter's Incorruptible Administration

y-clean city government has been Michael Nutter's defining achievement. Will it outlast him? (And should we want it to?)

BY PATRICK KERKSTRA | JUNE 26, 2014

The Inquirer | SUNDAY, FEB. 15, 2015 | PHILLY.COM | B

CURRENTS

A matter of city Ethics

Phil Goldsmith and Farah Jimenez are writing about the issues facing Philadelphia as the city gears up for the May 19 mayoral primary election. They will define the problems, offer solutions, and challenge the candidates to make their views clear for voters. Next week's topic is pension reform.

www.broadsheets.com

Next mayor, Council must keep ethics reforms

By Terry Gillen

Early in the Nutter administration, Joan Markman, the city's first chief integrity officer, met with several city officials to ask them why they had attended a reception without paying. Someone who was there told me that one of the officials sincerely offered this explanation: "My staff works hard and they need perks."

Markman, a former federal prosecutor, turned her steely gaze to this person (a gaze that you would not want to face) and spent the next hour explaining that city employees get paid and get benefits, and so, in fact, they are not entitled to "perks." By the second term of the Nutter administration, that official was no longer serving in that position.

The reason Markman had to spend so much time conducting ethics training with high-level city officials is that Philadelphia has a long history of being "corrupt and contented," as the journalist Lincoln Steffens wrote. In the administration before Nutter's, more than 15 people were convicted of criminal charges related to city government. The previous city treasurer is still sitting in jail for corruption. The FBI had even obtained a warrant to put a bug in the mayor's office.

One of the hallmarks of the Nutter administration has been the high ethical standards at all levels of city government. There are many reasons for this. The city has an independent inspector general, who has real power and who has removed nearly 200 city employees who were corrupt. The chief integrity office, a new position located in the Mayor's Office, has provided ethics oversight of all employees. A ban on gifts to members of the executive branch (a ban later fought by some members of City Council) has made clear that "perks" are not part of the compensation package. New campaign-donation limits ensure that no single donor can obtain too much power. And the vacant-land system, on which Markman spent countless hours, now has a transparent website that should make it harder to do favors for developers once a land bank is operational.

We are less than five months from electing a new mayor and Council, and yet no Council members or good-government groups have put forth a platform of ethics initiatives that would prevent city government from backsliding into corruption. Council passed a law to make

Mayor Nutter early in his tenure with appointees (from left) Kenya S. Mann, named to the city's Board of Ethics; Inspector General Amy L. Kurland; and Joan L. Markman, chief integrity officer

the Office of Sustainability permanent, but not the chief integrity officer. Last year, both Council and the Committee of Seventy unsuccessfully pushed a charter initiative that would have allowed Council members to run for mayor while retaining their current jobs, yet a bill to make the inspector general permanent under the charter has been lagging in committee for a year.

The silence on these issues has been deafening. Indeed, it has become chic in some circles to suggest that the city would be better off if Nutter were not quite so, well, ethical — an argument that could gain traction only in a city like Philadelphia. No one in New York, for example, would suggest that Mayor Bill de Blasio would have had a more effective start had he allowed a little bit of graft in his first year. But in Philadelphia, serious people make these arguments, and serous media outlets print them.

In fact, just the opposite is true. The previous city administration governed during a real estate boom, yet there was minimal construction during that time. Attempts to get projects built on the Delaware River waterfront became bogged down in pay-to-play allegations. Serious developers and investors will build and invest only when they don't have to pay off some city official.

One reason that there is so much construction in Philadelphia today — and we are still coming out of a real estate slump — is that the rules are clear, the process is transparent, and the ethical standards are high. For example, the old Penn's Landing Corp. was dissolved and new standards were established in Nutter's first year. Now the Delaware River waterfront is bustling with projects like the Race Street Pier and Spruce Street Harbor. Architects and developers from around the world now want to work in Philadelphia because they know that they have a fair shot at making money without a shakedown.

We can't predict who will occupy the mayor's office or Council chambers next year, but we can demand that the city's next elected leaders keep the Nutter administration's ethics reforms in place. There is hope that Philadelphia has moved away from its status as "corrupt and contented," but we need to do more than hope. We need people to speak out and take action.

Terry Gillen was the former director of the Philadelphia Redevelopment Authority and the city's former deputy commerce director.
tgillen@terrygillen.com

Clean politics requires vigilance

Phil Goldsmith
has been managing director of Philadelphia and chief executive officer of the Philadelphia School District

Years from now, this time in the city's history may be referred to as the golden age of ethics. Once branded as corrupt and contented, Philadelphia — at least its executive branch — has been bereft of systemic scandal, real or imagined, during the last eight years. Not good for the media. Or defense lawyers. But it's the type of climate change we need.

Enjoy the fresh air now. It may not last long. But before I rain on the parade, let's bask in the sunshine for a moment and re-

With a series of impressive case results under its belt, the OIG proved that a culture of integrity could triumph over a culture of corruption. Philadelphia's progress on the road to reform was clear and conspicuous, inspiring veteran journalists to conclude that City government had changed dramatically under the Nutter administration's leadership.

Amy L. Kurland speaking at "Global Cities: Joining Forces Against Corruption," a conference held by Columbia Law School's Center for the Advancement of Public Integrity.

Photo courtesy of Columbia Law School's Center for the Advancement of Public Integrity

PARTNERSHIPS FLOURISH

As the OIG gained momentum along the road to reform, the office forged strong partnerships with oversight and law enforcement agencies at all levels of government. With the help of its allies, the OIG could follow the facts of each case to an appropriate and impactful resolution.

CRIMINAL INVESTIGATIONS

A founding member of the Philadelphia anticorruption task force, the OIG has often collaborated with the Philadelphia Police Department, the Philadelphia District Attorney's Office, the Federal Bureau of Investigation, the United States Attorney's Office and the Pennsylvania Office of the Attorney General on significant criminal corruption cases.

OIG investigations have led to the arrest or indictment of 89 individuals who committed criminal offenses and have resulted in millions of dollars in restitution for the City of Philadelphia and for others who have been financially harmed.

The OIG's criminal work has made it clear that all City employees who put their private gain before the public interest will be held accountable.

CASE SPOTLIGHT – INVISIBLE INK

News

Mailroom clerk who stole $1.4 million in printer ink is headed to prison

Updated on JUNE 9, 2015 — 5:48 PM EDT

A former mailroom clerk in the Philadelphia Water Department was sentenced to two years in federal prison Tuesday for stealing nearly $1.4 million worth of printer ink and selling

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In 2012, a joint OIG-FBI investigation found that Calvin Duncan, a Philadelphia Water Department clerk, had sold massive amounts of City printer ink to two Arkansas business owners for a substantial profit. Duncan and his co-conspirators in Arkansas pleaded guilty to federal charges of mail fraud, and the court ordered more than $1.3 million in restitution for the City of Philadelphia.

NONPROFIT OVERSIGHT

After the OIG found that two local nonprofits, Citizens' Alliance for Better Neighborhoods and the Spring Garden Community Development Corporation, had misspent or misappropriated approximately $5.4 million in grant funds in 2010, the need for strong oversight in this area became apparent.

The OIG partnered with law enforcement and other authorities to take on this challenge and ensure that the leaders and employees of charitable organizations in the City were focused on improving the lives of the needy —not their own.

The OIG's nonprofit oversight collaborations have led to criminal convictions, financial restitution and meaningful policy change. The initiative continues to be a major focus for the office.

CASE SPOTLIGHT – SELF INC.

Ex-nonprofit executive gets prison for stealing money meant for homeless

By Jeremy Roebuck, Inquirer Staff Writer

POSTED: July 22, 2015

A former executive of a prominent Philadelphia nonprofit for the homeless was sentenced Monday to 1 1/2 years in federal prison for ... and dining at ... ts struggled to ... ector at SELF ... used his ... personal ... r the needy.

A joint OIG-FBI investigation uncovered serious theft at Self Inc., a local homeless-services charity whose former executives used corporate credit cards to rack up more than $230,000 in personal expenses. In 2015, two executives, Erica Brown and Nathaniel Robinson, pleaded guilty to theft from a program receiving federal funds. Both were sentenced to more than a year in federal prison and were ordered to pay restitution to the nonprofit.

89 CRIMINALS CHARGED

PARTNERSHIP WITH THE PPA

The Philadelphia Parking Authority (PPA) has been one of the OIG's most committed partners over the last eight years. Like the OIG, the PPA places the highest priority on honest and upright public service, and it has often requested the investigative assistance of the OIG in its own fight against fraud, corruption and misconduct.

In 2010, the OIG-PPA collaboration led to the resignation or termination of four City employees and two PPA employees, including two high-level supervisors, who had fixed parking tickets for friends and family.

Joint investigations have also resulted in criminal convictions for individuals who tried to defraud or extort the PPA.

CASE SPOTLIGHT – THWARTING EXTORTION AT THE PPA

Man gets prison for extorting Parking Authority official

By John P. Martin, INQUIRER STAFF WRITER

POSTED: March 08, 2013

A Philadelphia man who tried to extort the head of the Philadelphia Parking Authority will serve two days in prison and pay $500 in restitution.

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Armed with video footage of a PPA officer allegedly offering to rip up a parking ticket in exchange for a gift, Rocco Martinez threatened to release the video to the media unless PPA Executive Director Vincent Fenerty purchased the tape. Fenerty immediately contacted the OIG, which worked with the FBI to catch Martinez accepting $500 for the video from an undercover operative. Martinez was convicted in September 2012.

COMING FULL CIRCLE

A crucial measure of progress is the ability to prevent a problem from recurring. This idea has been central to the OIG's philosophy over the last eight years. By examining the circumstances that let fraud or misconduct happen, the OIG is able to devise full-circle solutions to chronic issues.

REFORM AT DHS

Our first major policy reform effort came in response to the case of Danieal Kelly, a 14-year-old with cerebral palsy who starved to death in her own home in 2006. Despite having an open child welfare case at the time, Department of Human Services (DHS) employees overlooked signs of neglect in Kelly's home. The OIG's 2008 investigation found that two social workers had falsified documents and tampered with information in the DHS computer system to absolve themselves of blame, and that six supervisors had not done their jobs. All eight were terminated or resigned from City employment. The OIG worked with DHS to improve social worker training practices and to prevent social workers and their supervisors from falsifying official records.

REFORM AT L+I

Spurred by the collapse of a building in Center City that left six people dead, Mayor Nutter in October 2013 announced the creation of a Special Independent Advisory Commission to review the Department of Licenses and Inspections' (L+I) operations. The Commission, which included an OIG representative, was charged with examining the department's past and current inspection practices as well as its budget and organizational structure. The OIG continues to investigate L+I's policies and procedures in response to new allegations of misconduct.

IMPROVING REVENUE COLLECTION PROCEDURES

From 2011 to 2012, the City lost a staggering $347,000 by failing to take action on bounced checks. The OIG attributed this breakdown to spotty collection efforts and isolated recordkeeping. The OIG issued a Policy Recommendation Report in 2013 that advised the Law and Revenue Departments on how to use check scanners and more centralized collection methods to improve the payment screening process. As a result of the OIG's investigation, the City revoked several business privilege licenses for companies that had repeatedly submitted bad checks.

HOMESTEAD TAX EXEMPTION

Some Philadelphia residents were hit hard by the Actual Value Initiative (AVI), an overhaul of the City's property tax system that affected market values Citywide. To provide financial relief for homeowners, the City created the Homestead Exemption: a $30,000 taxable value reduction on certain qualified properties. A joint OIG and Office of Property Assessment (OPA) investigation discovered that taxpayers were exploiting the exemption by claiming investment or rental properties as primary residences. Working closely with OPA, the OIG has created a program to expose dishonest tax reduction recipients. So far, the project has recovered more than $171,000 in lost property tax revenue.

CONTRACT COMPLIANCE

Catching and correcting fraud in the City contracting process became a major challenge along the road to reform. In 2011, the OIG created its own contract compliance unit to confront the problem through investigations, contract compliance agreements and Citywide training initiatives.

Aramark

In 2012, the OIG signed a $400,000 settlement agreement with Aramark Correctional Services and Strother Enterprises Inc. after discovering that the companies had tampered with their invoices to circumvent the City's disadvantaged-business participation requirements.

While Strother, a City-certified minority business entity, performed work under Aramark's contract, it participated in a circular billing arrangement that made it appear as though Strother had performed a much larger percentage of the work than it had represented. In addition to paying restitution, the companies agreed to adopt new internal controls to ensure their future compliance with anti-discrimination policies.

JHK Debarment

The OIG achieved a major milestone in its compliance efforts in June 2013, when the City issued its first-ever involuntary debarment to Jamie Kovacs and her company, JHK Inc. JHK falsely represented its role as a women-owned subcontractor for Corizon Health Services Inc., which held a healthcare contract with the Philadelphia Prison System. Kovacs later admitted that the company had not actually provided any services to the Prison System. The debarment ensured that neither Kovacs nor JHK could work for the City for two years. Corizon paid the City $1.85 million and strengthened its corporate compliance program as a result of the OIG's investigation.

Hart Enterprises

An OIG investigation found that Hart Enterprises had significantly misrepresented its finances and its ability to perform the scope of work outlined in five construction and demolition contracts with the City. As a result, the City paid Hart for shoddy and incomplete work in order to honor the terms of the contract.

Company owner John Hart was arrested and prosecuted on fraud charges following the OIG's investigation. In collaboration with the City's Procurement Department, the OIG also fixed the process for vetting potential City contractors. The City now proactively verifies the terms of companies' surety bonds and the claims that companies make on their contract pre-qualification questionnaires.

CONTRACT COMPLIANCE *(continued)*

Airmatic

Following allegations of false and fraudulent billing practices, the OIG found that Airmatic, a parts supplier for the Philadelphia Water Department, had been selling the City unapproved products at an average inflated rate of 87 percent. In total, the company overbilled the City by $556,633 between January 2007 and August 2012.

Airmatic pleaded guilty and paid the City full restitution in addition to a $350,000 federal fine and a $400 special assessment. The company was debarred from participating in City contracts as a result of the investigation.

Danella

Danella Companies, Inc. agreed to pay more than $2 million to the City and Philadelphia Gas Works (PGW) after an OIG investigation found that the company had significantly overbilled PGW for construction materials. In its invoices to PGW, the company had exaggerated the amount of paving materials it had installed for PGW projects. Following the Danella case, the OIG executed settlement agreements with three other companies that overbilled PGW in similar schemes.

BIDS GONE BAD

Collectively, the OIG's major contract compliance cases have provided a wealth of lessons for detecting and preventing fraud. In 2015, the OIG partnered with the Office of the Chief Integrity Officer to distill those lessons into a Citywide training initiative called Bids Gone Bad. The interactive workshop teaches City employees how to vet contractors' finances and how to assess their ability to fulfill the terms of a contract before it is awarded. The training program also teaches participants how to spot red flags for fraud, bribery and conflicts of interest throughout the contract bidding process. To date, hundreds of City employees have attended the "Bids Gone Bad" program, and it has become an integral part of the City's training curriculum.

THE ROAD AHEAD

As the Nutter administration came to a close, it was clear that the City's commitment to good government would not waver. Mayor-elect James F. Kenney pledged to continue moving Philadelphia in the right direction, and one of his first orders of business was to ask Inspector General Kurland and her team to join his administration in the fight against fraud and corruption.

EXECUTIVE ORDER 7-14

In October 2014, Mayor Nutter issued Executive Order 7-14 to clarify the scope of the OIG's jurisdiction and to recognize the office's versatility. The office's authority to investigate fraud and corruption had always been broad, but the executive order sought to outline in full detail what kinds of cases the OIG could pursue. The office's jurisdiction extends to civil and criminal allegations of fraud and corruption lodged against City employees or direct recipients of City funds.

SCHOOL DISTRICT OF PHILADELPHIA

In January 2015, the School Reform Commission asked the OIG to review the School District's Office of the Inspector General and offer recommendations to strengthen the agency. Inspector General Kurland will now oversee both OIG offices and has appointed Maryanne Donaghy as Chief for the School District OIG. Donaghy brings significant and diverse investigative experience to the position. She is a former certified public accountant and a former assistant U.S. Attorney. She previously served as General Counsel to the A.I. duPont Hospital for Children and as Deputy General Counsel of the Nemours Foundation.

ONGOING EDUCATION

The OIG has launched an ongoing educational campaign to help raise awareness about the importance of government integrity and to encourage members of the public to report fraud and corruption. In speaking to local community groups, the OIG aims to learn more about City residents' concerns, build new collaborative programs and extend its investigative reach.

In collaboration with the Chief Integrity Officer, the OIG is also releasing a "Supervisor Toolkit" to educate new City supervisors about the importance of preventing, spotting and reporting potential wrongdoing.

Mayor Nutter signs Executive Order 7-14, bolstering the OIG's investigative authority.

Photo by Kait Privitera

Photo by Mitchell Leff

MOVING FORWARD

The City of Philadelphia has made significant progress along the road to reform, but the OIG's work is far from finished. Under the leadership of Mayor Kenney, the office will continue to form new partnerships and pursue cases and initiatives that will foster a culture of integrity in Philadelphia.

$70,915,790

TOTAL SAVINGS & RECOVERY 2008-2015

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