



CITY OF PHILADELPHIA

Office of Inspector General

The Curtis Center
601 Walnut Street, Suite 300 East
Philadelphia, PA 19106
Telephone: (215) 686-1770
Fax: (215) 686-1757

Amy L. Kurland, Esquire
Inspector General

EXECUTIVE SUMMARY OF OIG INVESTIGATION OF UGI, BETZ, & JHS

The City of Philadelphia Office of Inspector General (OIG) conducted an investigation regarding the circumvention of the City's Minority Business Entity (MBE) policies by UGI HVAC Enterprises, Inc (UGI) and William Betz Jr., Inc (Betz). The OIG investigated an allegation that UGI submitted false MBE Monthly Reports from their contract with the Philadelphia Housing Development Corporation (PHDC) for the Weatherization Assistance Program, and that Betz was complicit in the scheme. The allegations are sustained.

The investigation uncovered a scheme facilitated by Rudy Betz, President of Betz, a major supplier of plumbing, heating, mechanical, and industrial supplies, to circumvent the City's anti-discrimination policy, which promotes the use of minority, women, or disabled business entities (M/W/DSBE) on City contracts. The purpose of the anti-discrimination policy, as contained in Executive Order 02-05, is to provide an equal opportunity for all businesses and to assure that City funds are not used, directly or indirectly, to promote, reinforce, or perpetuate discriminatory practices. In order to achieve that purpose, those who contract with the City may be required as part of the contract to do business with approved M/W/DSBE entities.

In order to circumvent the City's anti-discrimination policy, Betz made arrangements with JHS and Sons Supply Company (JHS), a certified MBE, solely for the use of its name. In exchange, Betz paid JHS 3% of the contract price between Betz and the prime contractors. Meanwhile, JHS would perform no function or service. All supplies were provided and services were performed by Betz. Betz then attracted the business of prime contractors who were awarded City contracts because Betz could include a minority business entity to satisfy the prime contractor's obligations to the City. Investigators discovered that this arrangement has been ongoing for at least 8 years.

In April 2010, PHDC invited proposals from contractors interested in providing weatherization services for residential dwellings as part of PHDC's Weatherization Assistance Program, which provides free weatherization and energy-efficiency improvements to eligible owner-occupied houses and tenant-occupied rental units located in the City of Philadelphia. The Commonwealth of Pennsylvania, acting through Department of Community and Economic Development, received funding for the program from the United States Department of Energy,

the American Recovery and Reinvestment Act of 2009, and the United States Department of Health and Human Services, and then allocated funds to PHDC to provide Weatherization assistance to low-income people in the City.

On June 21, 2010, PHDC and UGI entered into a contract for \$1 million for UGI to perform work for the Weatherization Assistance Program. Over the course of the contract, amendments increased the value of the contract to \$1,850,157.00.

As part of this contract with PHDC, UGI had to include the participation of an M/W/DSBE. The investigation revealed that, in June 2010, UGI contacted Betz to acquire products needed as part of UGI's contract with PHDC and asked whether Betz "had an MBE that they could deal with." Rudy Betz responded that he did have an MBE - JHS. UGI never contacted JHS, contracted with JHS, paid JHS, or visited JHS's place of business.

The investigation established that UGI submitted false documents to PHDC and the Office of Housing and Community Development (OHCD), which represented that UGI entered into a subcontract with JHS and that UGI paid JHS for its services. Between September 2010 and January 2011, UGI sent monthly certifications to PHDC that it had an M/W/DSBE commitment with JHS and paid JHS for those services. The investigation revealed that UGI and Betz generated false purchase orders and invoices to make it appear that JHS was participating in the PHDC Weatherization contract.

Moreover, investigators discovered that Betz has used JHS as a pass through entity with approximately 15 other contracts with the City. These contracts are currently being investigated by the OIG to determine whether JHS was used as a pass through MBE or whether the City's M/W/DSBE policies were violated.

As a result of this investigation, the Office of Economic Opportunity has removed JHS from the City of Philadelphia's Office of Economic Opportunity Registry of M/W/DSBEs. The Procurement Department and the Law Department have started the process of debarring Betz. Debarment would prevent Betz from participating on any City contract for up to 3 years. Lastly, UGI has entered into a no-fault settlement agreement with the City and PHDC. In sum, the settlement agreement provides that UGI will pay \$100,000 to the City, commit to raising minority contribution from 25% to 50% on a future weatherization contract with PHDC, and will enact the Equal Opportunity Participation Policy to ensure that UGI will comply with the City's Anti-discrimination Policy on future contracts with the City and/or City-related agencies.