

# City of Philadelphia

## Office of the Inspector General

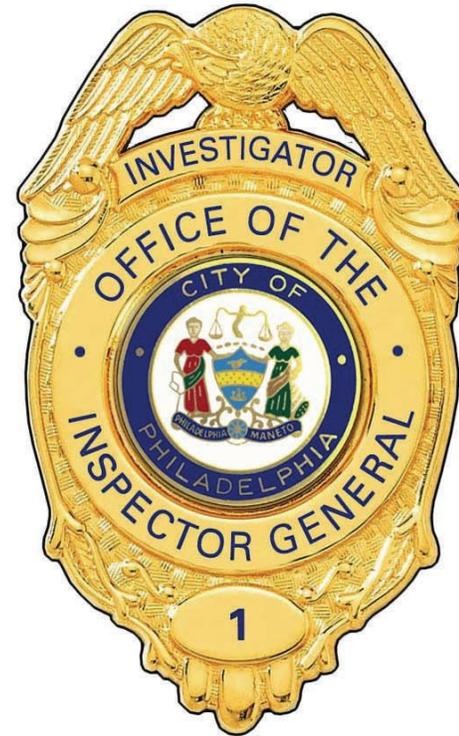


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# The Philadelphia IG Office

- New mayor elected on platform of honesty and integrity in city government
- We will no longer tolerate fraud and corruption
- Expansion of the IG office
- Staffed by a former federal prosecutor and former FBI agent
- Opportunity to change system, police ourselves



# What We Do - Mission

- Boost confidence in government by rooting out fraud, corruption and misconduct
- City employees & companies doing business with city
- Independent - Work for mayor, but represent citizens
- Can issue subpoenas, compel testimony
- Must cooperate w/IG
- Focus on cases with biggest impact

# How We Work

## Criminal Investigations

- Bring in law enforcement early
- Work jointly
- Testify in support of restitution
- Work with Departments



# How We Work

## Administrative Investigations

- Recommend discipline
- Recover money
- Identify flaws in system
- Recommend changes
- Work with department



# Contract Compliance Fraud Initiative



*"These new regulations will fundamentally change the way we get around them."*

# Contract Compliance Defined

## ❑ Basic Contracting Process

- Bid – Award – Performance – Payment



## ❑ Our Mission: Protect the integrity of the City's contracting process

- Prevent fraud and misrepresentation
- Guarantee fairness and equality
- Protect the free market

## ❑ Ongoing Compliance

- Ensure that businesses adhere to all requirements & regulations at all stages
- Evaluate the process for weaknesses and potential improvements

# Types of Cases

- M/W/DBE Pass Through
- Fraudulent Invoices
- Embezzlement
- Kickbacks
- Forged Instruments
- Manipulated Bids
- Conflict of Interest

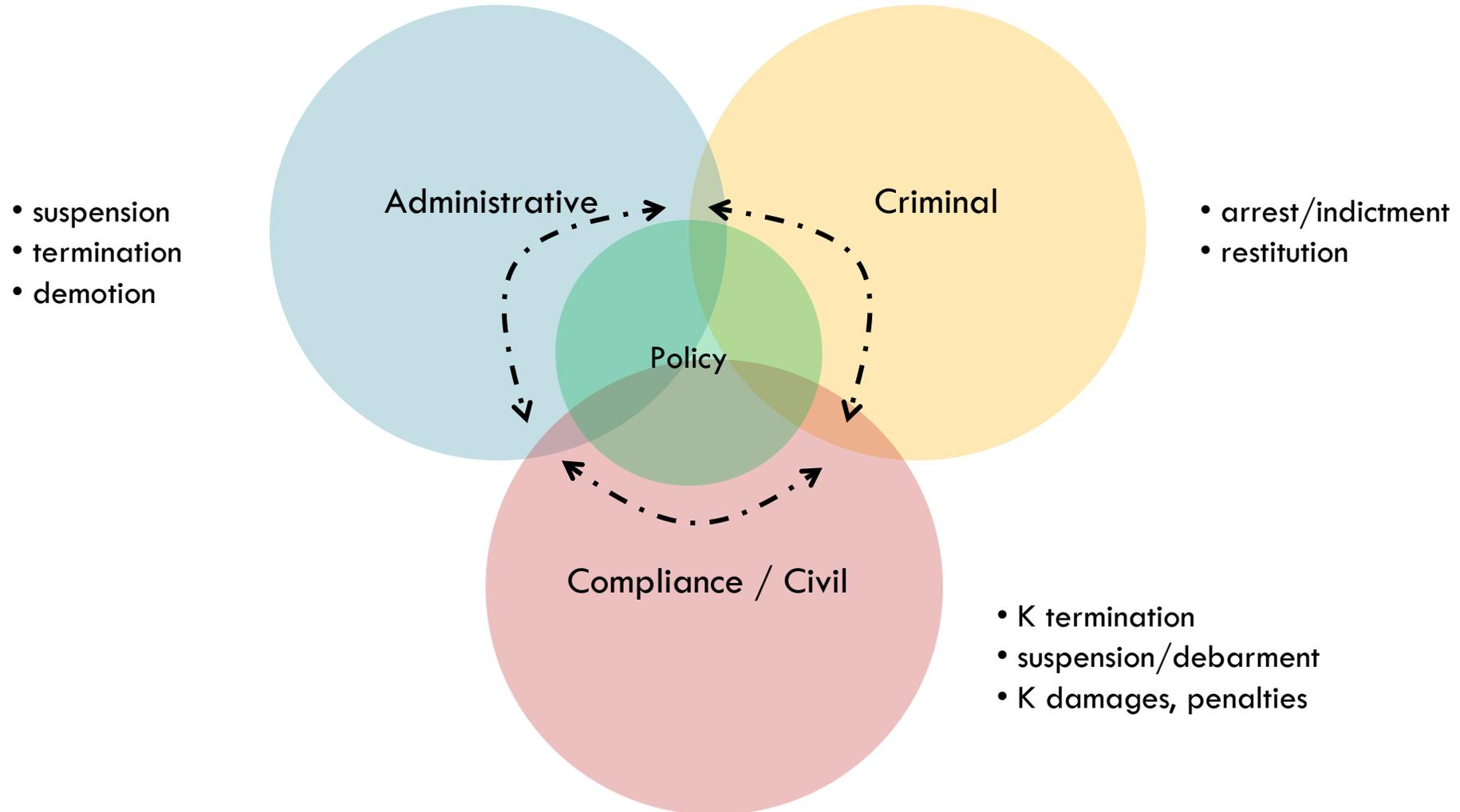


*"I gotta tell ya, these embezzlement convictions raise a red flag."*

# Possible Red Flags

- 
- close relationships
  - unjustified sole source
  - excessive change orders
  - unexplained increase in wealth
  - vague or overly general invoices
  - undisclosed side businesses
  - identical work orders
  - few bidders in a crowded market
  - unexplained increase in contract amount
  - work beyond scope
  - repeat use of poorly performing contractor

# Substantive Outcomes





# Case Study

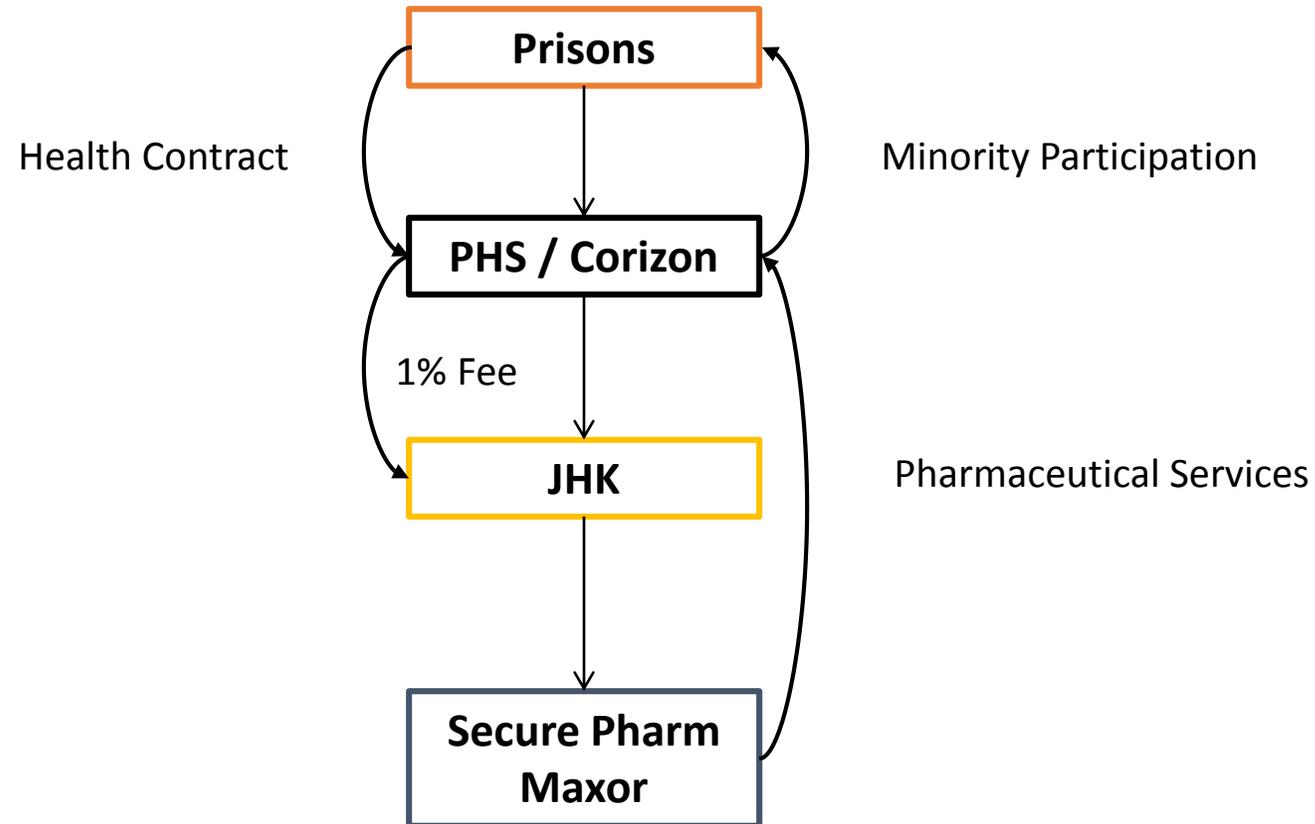
Prison Health Services/Corizon & JHK

# Corizon's M/W/DSBE Goals

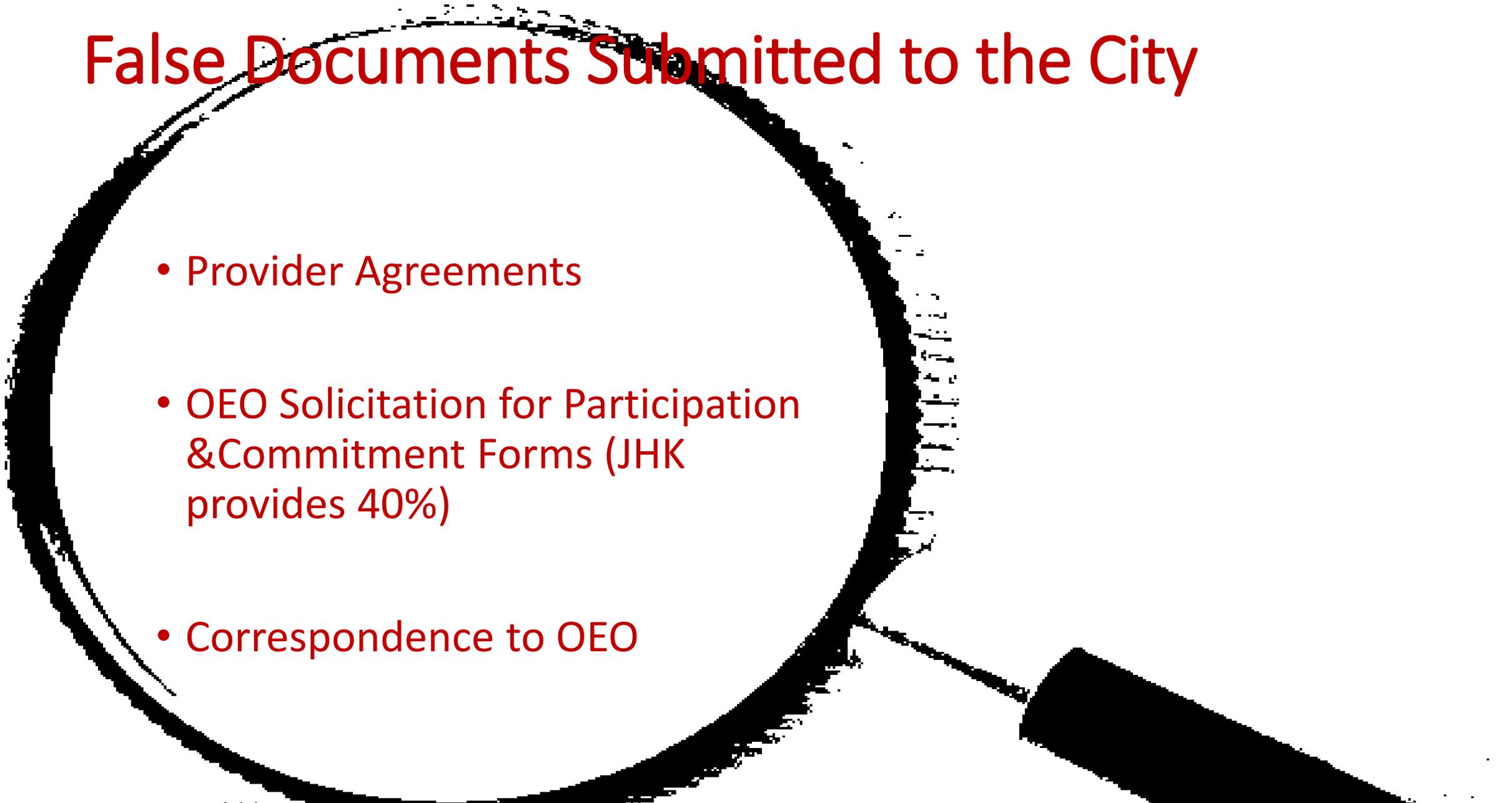
- \$196 million contract
- Set by OEO
- MBEs- 20-25%, WBEs 10-15%.
- Commercially acceptable function.



# The Pharmaceuticals Arrangement: A Classic Pass-Through



# False Documents Submitted to the City



- Provider Agreements
- OEO Solicitation for Participation & Commitment Forms (JHK provides 40%)
- Correspondence to OEO

# Result: PHS / Corizon

- Recommended debarment
- Cooperation and good-faith efforts by PHS – replaced JHK
- No-fault settlement
  - \$1.85 million
  - Compliance agreement



# Result: JHK Inc.

- Removal from OEO registry
- Recommended debarment
- City holds 1<sup>st</sup> ever contested debarment hearing
- JHK and Jamie Kovacs debarred for 2 years





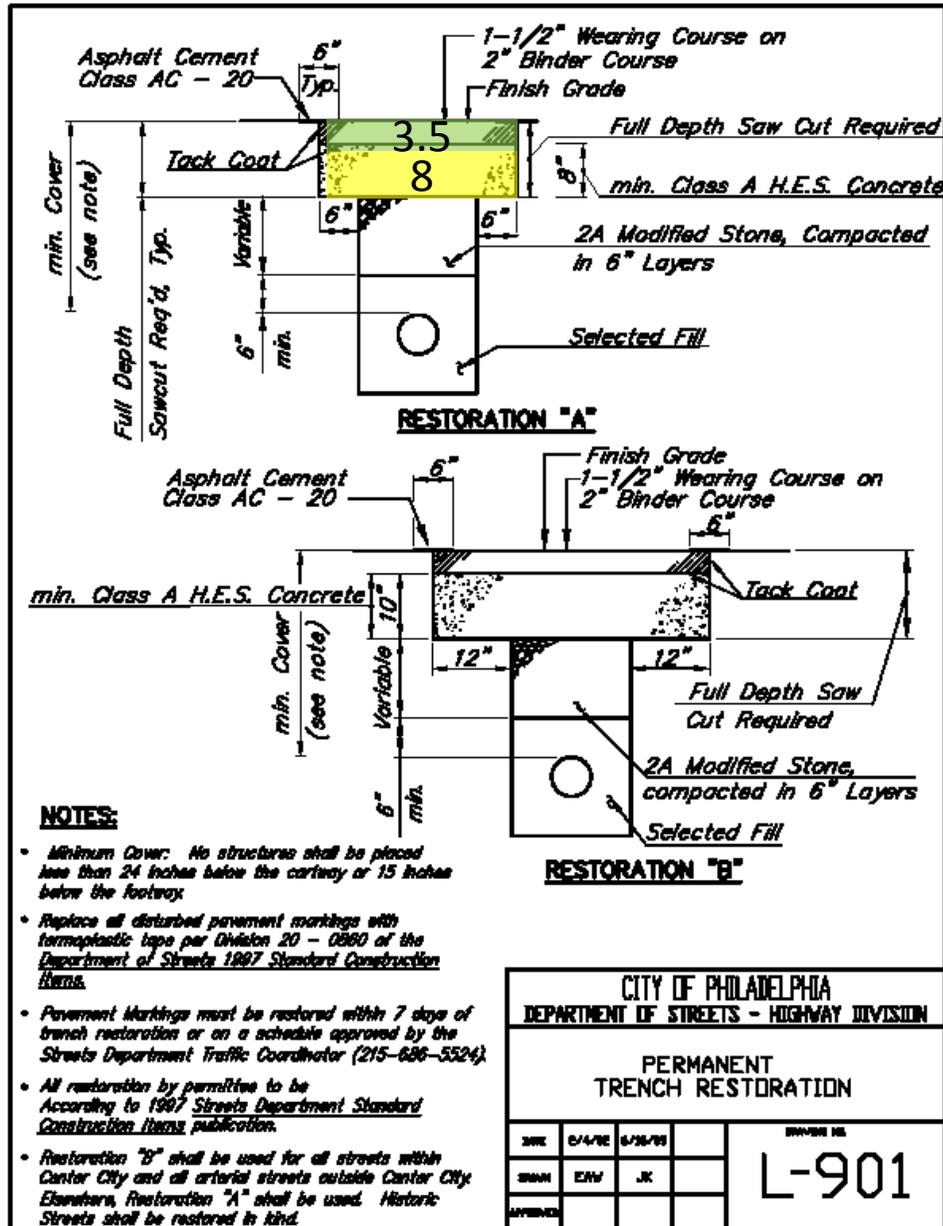
**Case Study**  
**Danella Companies, Inc.**

# The Contracts – PGW Paving

- “D” and “C” Paving Contracts
- Large Scale Gas-Line Replacement & Paving
  - Excavate roadway surface to access underlying gas pipe
  - Replace and/or repair gas pipe
  - Cover new pipe and replace roadway with concrete and asphalt
- Over \$22 million in business since 2010



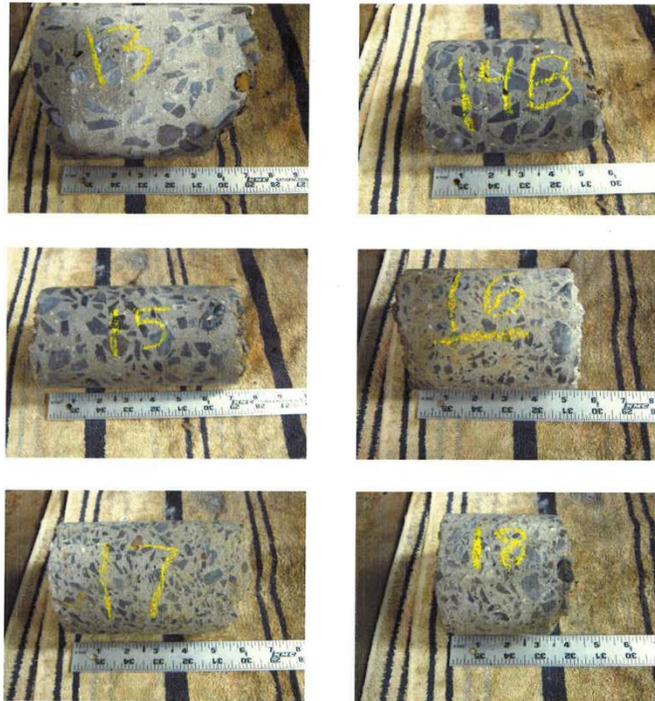
# Contract Requirements



- Tied to City and State Specifications
- 8 inches concrete
- 3.5 inches asphalt
- Danella invoiced for these specified quantities

# The Primary Evidence

## *Roadway Core Samples*



- Roadway core samples of
- Far less than the required amounts of asphalt and concrete
- Hundreds of samples from many Danella work locations

# Result: Danella

- Danella cooperated
- No-fault settlement
  - \$2.3 million payment
    - \$1.8 million to PGW
      - total overpayment plus cost of coring
    - \$525,000 to the City
      - penalty
  - Corporate Compliance Program
  - 3 year guarantee on all work performed

# Enforcement Tools

- False claims act – treble damages
- Contract remedies
- Debarment, Suspension, Termination, removal from OEO registry
- Civil Litigation
- Compliance agreements
- Federal action: civil or criminal



# Prevention

- Chief Integrity Officer
- Compliance Matters team
  - Outreach and training
  - Risk analysis
  - Professional skepticism and communication
- Reporting hotline
- Vendor lectures
- Employee lectures
- Bids Gone Bad - training



# Contact Us!!

- We can't do this alone
- Tips, Reporting
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