



Philadelphia Office of the Inspector General

Annual Report

2012

Michael A. Nutter,
Mayor of Philadelphia

Amy L. Kurland,
Inspector General

OUR MISSION



The mission of the Office of the Inspector General is to boost public confidence in City government by rooting out corruption, fraud, misconduct, waste and mismanagement.

A watchdog for City taxpayers, the OIG has authority under the Philadelphia Home Rule Charter to conduct investigations of all departments, agencies, commissions and boards under the Mayor's jurisdiction.

The office also investigates individuals or companies doing business with the City or receiving City funding. Its investigative expertise is available to any City agency in need of assistance.

An operationally independent office, the OIG conducts both criminal and administrative investigations. It has the power to issue subpoenas; to examine all City documents, contracts and monetary expenditures made from the City treasury; and to demand testimony from City employees.

The office works with federal, state and local law enforcement when conducting criminal investigations and serious integrity-related complaints of fraud, abuse and corruption.

The office conducts these investigations either in response to a complaint or on the Inspector General's own initiative to detect misconduct, inefficiency and waste within the programs and operations of City government.

TABLE OF CONTENTS

Message from the Mayor	1
Message from the Inspector General	2
The Year in Numbers	3-4
Toward a More Ethical Government	5
Power in Numbers	6
Rooting Out Fraud and Corruption	7-12
Compliance Matters	13-18
Protecting Taxpayer Money	19
Changing the Culture	20-24

Note: This report was produced in accordance with Executive Order No. 4-94, which clarifies the role of the OIG. The order states that the "OIG shall provide continuous dialogue with the Mayor and department heads regarding significant problems or deficiencies within City operations and programs and provide recommendations to resolve those issues." Furthermore, it is "the OIG's mission to enhance the public confidence ... and provide leadership and guidance in recommending programs and/or policies which educate and raise the awareness of all City officials/employees to integrity and ethics-related issues...."

MESSAGE FROM THE MAYOR

When I took office as mayor of Philadelphia in 2008, I made it a priority to crack down on the waste, fraud and abuse of power that had long poisoned both the public's perception of the City's hardworking employees and the willingness of businesses to invest in our great city.

In the last five years, the Philadelphia Office of the Inspector General has helped save or recover \$34.9 million, and the office's investigations have also led to 166 terminations or resignations and 44 arrests or indictments.

But the statistical accomplishments of the OIG represent just one aspect of its success. Two OIG cases from 2012 illustrate the breadth of the office's impact.

In a joint investigation, the OIG and the FBI uncovered a \$1 million scheme involving a Philadelphia Water Department mailroom clerk who sold City ink cartridges to an Arkansas-based reseller. By tracking down the culprits and building strong evidence for a federal indictment, the OIG and the FBI did more than just stop the loss of taxpayer money — they sent a message to taxpayers that Philadelphia will not tolerate fraud.

Another example of the OIG's dedication to restoring taxpayer trust came from a joint OIG-FBI investigation into a would-be extortionist who sought to take advantage of the Philadelphia Parking Authority. With the help of the PPA, the OIG and the FBI showed that public servants in Philadelphia will not be intimidated or coerced by corrupt individuals. Our officials are fighting back against corruption.

The OIG and its many partners are helping to rebuild a bridge of trust between the citizens of Philadelphia and their local government. We should take pride in all that they do to make Philadelphia's City government more honest, transparent and efficient.

Sincerely,



Michael A. Nutter

MESSAGE FROM THE INSPECTOR GENERAL

When Mayor Nutter gave my office operational independence and its own budget in fiscal year 2009, he laid the groundwork for an independent Office of the Inspector General — a permanent part of government, insulated from politics, that would answer only to the taxpayers of Philadelphia.

Operational independence has allowed us to produce big results for the taxpayers of this City. Within our current framework, we are free to investigate City contractors and administrative-branch employees who violate integrity-related rules and regulations. We are also free to team up with our law-enforcement partners to help bring criminals to justice.

Since January 2008, the OIG has helped the City save or recover a total of \$34.9 million while working with an annual budget of \$1.3 million or less. Furthermore, the office's investigations since 2008 have led to the termination or resignation of 166 City employees and the arrest or indictment of 44 individuals.

These measures are encouraging, but they are not our end product. Our aim is to change the culture that has damaged the reputation of so many honest City employees. There is no doubt that we're heading in the right direction, but we need a truly independent OIG to ensure that we keep moving forward.

We are grateful for Mayor Nutter's unflagging commitment to this office, but no administration can root out corruption on its own. Achieving that end requires a sustained effort by all City agencies responsible for oversight and investigations, and we believe that an independent OIG would be best situated to coordinate that effort.

In major American cities like New York, Chicago, New Orleans and Miami, independent OIGs foster broad collaboration among oversight agencies to fight public corruption. Their charters and their permanence allow them to investigate criminal and administrative matters to the fullest extent, and to refer their findings to all relevant bodies for appropriate action. When watchdogs work toward a common goal, the taxpayers win.

In this report, we present our accomplishments for the year 2012 and our road map for the future. We look forward to discussing our vision with the public.

Regards,



Amy L. Kurland

THE YEAR IN NUMBERS

Financial Accomplishments

Suspensions [actual].....	\$29,703.06
Demotions [2-year reduced salary].....	\$41,178.00
Pension Disqualification Savings.....	\$5,749,824.54
Restitution [funds returned to City].....	\$313,577.45
Fines/Assessments/Recovery.....	\$2,956,954.70
DROP [employee forfeited DROP retirement because of OIG investigation].....	\$130,749.71
TOTAL:	\$9,221,987.46

Termination Savings

In 2012, OIG cases led to the firing or resignation of 44 City employees, saving the City an additional \$3,702,920 based on two-year salary projections.

These savings represent the OIG's best estimate of the financial impact of firings and resignations.

The calculations are based on U.S. Census Bureau life-expectancy projections for the year 2012.

Pension Disqualifications

In 2012, 11 pension disqualification requests were approved by the Board of Pensions and Retirement, and 9 individuals withdrew their own pension contributions, forfeiting the City's contributions to their pension, due to an arrest or indictment.

2012 Case Results

Arrest/Indictment.....	5
Sentencing.....	1
Termination.....	44
Suspension.....	15
Civil Service Hearing or Arbitration.....	3
Demotion.....	2
Restitution.....	1
Policy Recommendation.....	2
OEO Case.....	5
Other Action.....	25
Investigation Complete/Action Pending.....	10

Year-End Data 2012

Total complaints received in 2012: 871

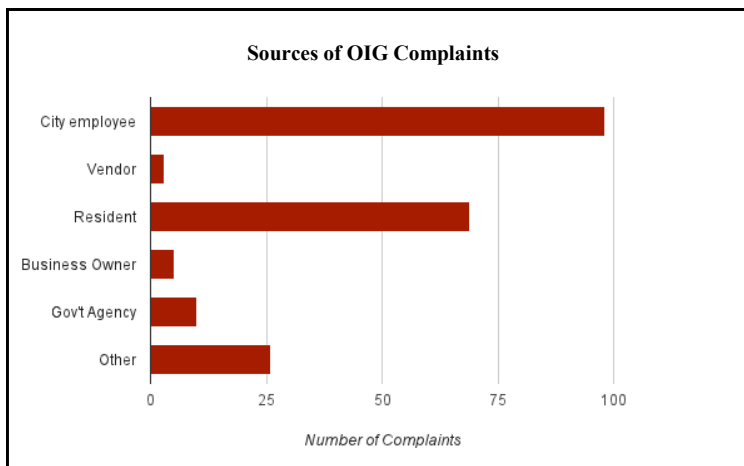
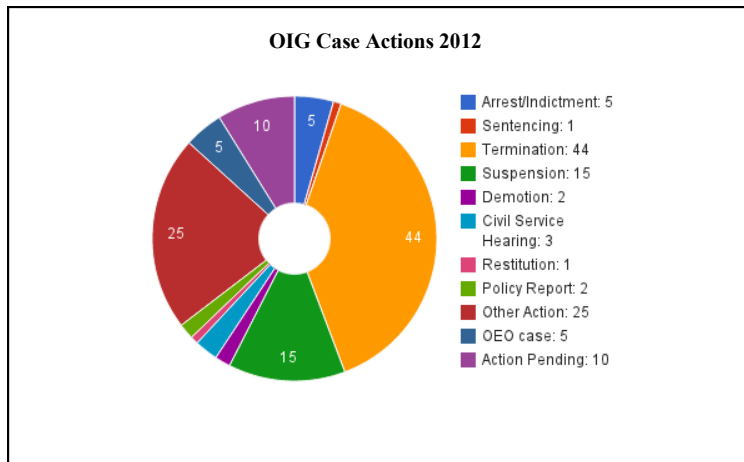
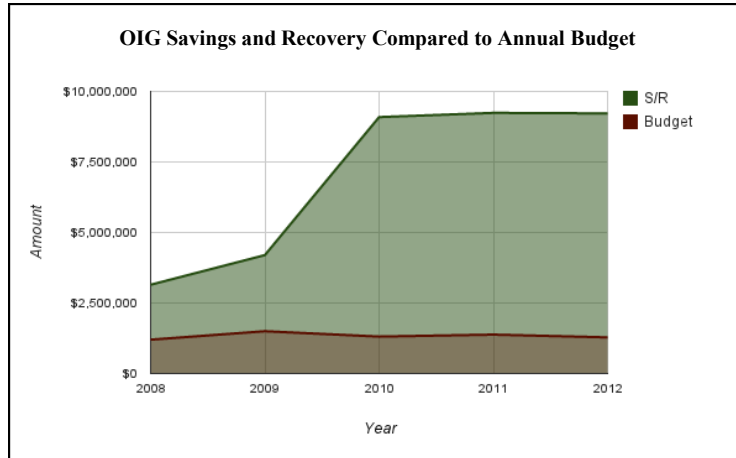
Total complaints assigned case numbers: 211

- ◆ Complaints closed: 146
- ◆ Involving City employees: 137
- ◆ Involving vendors or contractors doing business with the City: 35

These complaints were assigned as follows:

- ◆ OIG: 144
- ◆ OIG/Integrity Officer: 49
- ◆ OIG/District Attorney: 1
- ◆ OIG/Federal: 13
- ◆ OIG/Police: 4

THE YEAR IN NUMBERS



TOWARD A MORE ETHICAL GOVERNMENT



Introduction

On May 22, 1984, Mayor W. Wilson Goode Sr. joined District Attorney Edward G. Rendell at a press conference for two major announcements. The first announcement was that 28 individuals had been indicted for their role in a seven-year scheme to illegally dump trash and infectious hospital waste at a City incineration facility. The second was even more significant. Mayor Goode unveiled the Office of Performance Assessment, an “inspector general-type” office that would investigate City agencies and programs under his jurisdiction.

Goode noted that only a fraction of the City’s workforce had been accused of misconduct, but he issued a strong warning to those who were brazen enough to break the rules. “If they go out there and commit crimes, they will be caught, they will be fired, they will be prosecuted,” he said.

Several months later, Mayor Goode changed the new agency’s name to the Office of the Inspector General. In November 1994, Mayor Rendell expanded the OIG’s jurisdiction to City contractors, guaranteed the OIG access to all City documents and gave the office administrative subpoena power. In fiscal year 2009, Mayor Nutter gave the OIG its own budget and operational independence, setting in motion the next step in its evolution.

Our accomplishments this year are significant — the result of meticulous investigation, careful planning and fruitful collaboration. But this report is about more than our 2012 case results. This report is about what the OIG is, and what it could be. This report is an open letter to the taxpayers of Philadelphia, who have the ability to make the Office of the Inspector General a permanent part of City government.

POWER IN NUMBERS

Tipsters

Many OIG cases begin with complaints from City employees who want government to operate with honesty and integrity. Members of the public have also provided crucial tips. This network of concerned citizens deserves much praise.

The Integrity Officer Program

In 35 city departments, OIG-trained Integrity Officers investigate cases of minor malfeasance and recommend discipline to their respective commissioners. The officers also offer insight into how their departments operate and further aid the OIG in major cases. They have made invaluable contributions to the City.

Collaborative Investigation

In October 2012, the FBI created a joint anticorruption task force including the U.S. Attorney's Office, the Pennsylvania Attorney General's Office, the Pennsylvania Office of the Inspector General and the OIG, solidifying years of interoffice collaboration. Since 2008, OIG joint investigations with local, state and federal law enforcement have led to 44 arrests or indictments.

The OIG has also collaborated with the City Board of Ethics in cases where the subject has violated a provision of the ethics code in addition to administrative rules and regulations.

A 2012 Albany Law Review study explained the importance of this approach well: "Law enforcement, ethics, and inspector general offices, together, represent the trifecta of ensuring good, honest and efficient government."

Quotes from Partners

"The strong partnership between the OIG and federal law enforcement has enhanced the fight against corruption in Philadelphia."

—Zane David Memeger
U.S. Attorney,
Eastern District of Pennsylvania

"In 2012, the FBI and the OIG worked tirelessly to address a number of fraud and corruption investigations affecting the citizens of Philadelphia. Many of these joint investigations led to successful criminal prosecutions and restitution orders. In addition, the OIG joined the FBI and several other law enforcement agencies to proactively address public corruption via the newly established Public Corruption Hotline. In 2013, the FBI and the OIG will continue to work together to investigate fraud and corruption directly impacting the citizens of Philadelphia."

—John J. Brosnan
Acting Special Agent in Charge,
FBI Philadelphia

"It has been our pleasure to collaborate with the OIG on a number of matters. The office's talented and dedicated staff are tireless in carrying out their mission."

—Michael Cooke
Director of Enforcement,
Board of Ethics



This anticorruption task force billboard appeared on I-95, alerting drivers that they can help fight public corruption.

ROOTING OUT FRAUD AND CORRUPTION



S. Schu

Thwarting Extortion

On the heels of a joint OIG-FBI investigation that led to his arrest, Rocco Martinez pleaded guilty in September 2012 to charges of extorting the Philadelphia Parking Authority (PPA).

Martinez informed the PPA by email that he had recorded video footage of a parking officer offering to rip up a ticket in exchange for a gift. PPA Executive Director Vincent Fenerty contacted the OIG and asked for help immediately after speaking to Martinez, who would not hand over the video to allow the PPA to investigate the matter. When Martinez told Fenerty that local news outlets had offered money for the video, suggesting that Fenerty should make a bid, Fenerty informed him that it would be illegal to purchase the video.

During a second conversation, recorded by the FBI, Martinez confirmed that he wanted money in exchange for the video. Agents also recorded a meeting between Fenerty and Martinez at the PPA, during which Martinez played the video for Fenerty on a laptop computer. After negotiating the matter with Fenerty, Martinez said he would accept \$500 cash in exchange for the only copy of the video. After taking the cash, Martinez allegedly deleted the only digital copy of the video from his laptop and agreed not to sell the video to media outlets.

Martinez faces a maximum possible sentence of two years in prison, one year of supervised release, a \$250,000 fine and a \$100 special assessment. Sentencing is scheduled for March 2013. The case was prosecuted by the U.S. Attorney's Office for the Eastern District of Pennsylvania.

This case illustrates that our government officials are not for sale. Most are honest and hard-working, and they will not be compromised.

ROOTING OUT FRAUD AND CORRUPTION

Balancing the Books

Following a joint investigation by the OIG and the Philadelphia Police Department establishing that three Free Library of Philadelphia employees allegedly embezzled more than \$9,000 in overdue book fines, Free Library President and CEO Siobhan Reardon accepted the OIG's recommendation to terminate the employees and suspend two managers who failed to exercise proper fiscal oversight.

The investigators established that Natalie Collins, Linda Robinson and Patricia Finley — library assistants at the Haddington, Kingsessing and Wyoming branches respectively — had allegedly stolen a total of \$9,054.47 in library funds in three separate schemes from May 2009 to November 2010. The OIG also found that David Utz and Susan Rigsby, then-branch managers at Kingsessing and Wyoming respectively, had enabled the schemes with poor supervision.

Collins, Robinson and Finley were the only employees in their branches who prepared bank deposit documentation, delivered money to the bank, sent deposit documentation to the Free Library Foundation and maintained oversight of branch deposit documentation. Many bank deposit records were missing and incomplete at all three branches, and there were numerous discrepancies between the foundation's bank account statements and records kept by the branches.

In addition to investigating misconduct in this case, the OIG also analyzed the Free Library's policies and procedures for processing patrons' payments. The Free Library has already adopted many of the recommendations in the OIG's policy-recommendation report to prevent future embezzlements.

The policy-recommendation report is available under the reports tab at www.phila.gov/oig.

Public Corruption Crimes

Federal and state law provide many avenues for prosecuting those who criminally violate the public's best interest:

Theft from a program receiving federal funds is charged in a federal criminal case when at least \$5,000 has been stolen from a program that has received \$10,000 from the federal government.

Mail or Wire Fraud is charged in a federal criminal case when the postal system or a data network has been used in furtherance of a fraud.

Honest Services Fraud is charged in a federal criminal case when the public has been deprived of the "intangible right" to the honest services of a government employee.

Hobbs' Act Extortion is charged in a federal criminal case when a public official uses his or her position to extort money or something else of value from someone.

Bribery is charged in a state criminal case when someone gives, accepts, or solicits something of value in order to influence an individual's public or legal conduct.

Embezzlement is charged in a state criminal case when an official misuses funds in violation of the public trust.

ROOTING OUT FRAUD AND CORRUPTION



Invisible Ink

A Philadelphia Water Department mailroom clerk and two co-conspirators were charged with mail fraud and other offenses following a joint OIG-FBI investigation into a \$1.3 million printer ink-reselling scheme.

Evidence of the scheme was first reported to the OIG by a concerned City employee, who believed that the Water Department clerk, Calvin Duncan, had been ordering excess printer ink and toner cartridges with department funds to repackaging them for sale to a third party.

According to a grand jury indictment, Duncan sold the printer ink and toner cartridges to Laser Cartridge Plus, Inc., a Russellville, Arkansas-based business owned by Derek and Danita Willis. Knowing that Duncan had stolen the cartridges from his employer, the Willises purchased thousands at prices well below their retail value, the indictment alleged.

From January 1, 2006 to January 5, 2012, the City lost approximately \$1.37 million in ink, toner cartridges and shipping costs. Duncan received more than \$545,000 in payments from the Willises in that time period, according to the indictment, but he brokered the deal with Derek Willis prior to 2005.

Duncan and the Willises were charged with five counts of mail fraud and aiding and abetting. The Willises also were charged with obstruction of justice for allegedly destroying documents related to the fraud, and with perjury for knowingly providing false information to the grand jury.

ROOTING OUT FRAUD AND CORRUPTION

Ink (Continued)

Duncan and the Willises could face maximum prison sentences of more than 100 years if convicted on all counts. Fines imposed on all three could total \$5.25 million. The case was prosecuted by the U.S. Attorney's Office for the Eastern District of Pennsylvania.

False Indeed

An OIG joint investigation with the Philadelphia Police Department led to the arrest and guilty plea of Pamela Pendleton, an unlicensed notary who facilitated an illegal deed transfer.

In July 2011, Pendleton went to the City Records Department and presented the falsely notarized deed to a property on the 6200 block of N. Beechwood Street. Relying on the documents that Pendleton presented, the Records Department recorded the deed, transferring the property to a third party, whom investigators later determined to be Pendleton's 2-year-old daughter. Investigators also found that the owner of that property could not have consented to the transfer because she died in 2005.

The case was prosecuted by the Philadelphia District Attorney's Office. Pendleton was sentenced to 18 months' probation.

Dried Up

Grant Culpepper, a former Meter Reader for the Water Revenue Bureau, was terminated for allegedly manipulating the water connection at his home to steal service from the City for 17 months, causing a loss to the City of \$935.72. Culpepper had also failed to pay \$4,265.54 in delinquent water bills.

Double-Dip Pension

A former Recreation Leader for the Department of Parks and Recreation resigned in lieu of termination after she attempted to vest herself in the pension plans of both the City and the Philadelphia School District, where she had taken a second job. The Philadelphia Home Rule Charter prohibits City employees from double dipping by receiving a pension from more than one local public agency. The employee was disqualified from receiving her City pension, saving the City \$224,208 in lifetime retirement payments.

ROOTING OUT FRAUD AND CORRUPTION



Lie Heap

A long-term OIG investigation into the misuse of the Commonwealth of Pennsylvania's Low-Income Home Energy Assistance Program (LIHEAP) came to a close when Rashonda Corley and Kathryn Simpkins lost appeals before the Civil Service Commission to get their jobs back. In both cases, the commission upheld the OIG's recommendation.

Corley was a seasonal Crisis Service Representative for the Department of Licenses and Inspections when she underreported her total household income to obtain \$1,574 in benefits that she would not otherwise have been eligible to receive. By the time she was interviewed by the OIG, Corley had been hired as a Correctional Officer with the Philadelphia Prison System. Corley was terminated after a 30-day unpaid suspension. The Civil Service Commission upheld the department's decision to terminate Corley.

Simpkins was a Clerk for the Department of Licenses and Inspections when she underreported her total household income to obtain benefits that she would not otherwise have been eligible to receive. During the OIG's investigation, Simpkins admitted to receiving \$600 in undue benefits, but records indicated that she had obtained a total of \$2,500 in benefits. Simpkins had also become a Correctional Officer by the time she was interviewed by the OIG. She was also terminated after a 30-day unpaid suspension, and the Civil Service Commission upheld the department's decision to terminate her.

The LIHEAP investigation was conducted in collaboration with the Pennsylvania Office of the Inspector General, the Philadelphia Police Department and the Philadelphia District Attorney's Office. In total, 18 individuals were arrested, 13 were convicted and one entered the Accelerated Rehabilitative Disposition program for first-time offenders. The scheme deprived needy citizens of more than \$500,000 in assistance funds.

ROOTING OUT FRAUD AND CORRUPTION

Clocking Out

An OIG investigation of three Office of Property Assessment (OPA) employees found that they regularly spent hours at local bars when they should have been working. Following OPA disciplinary hearings for the employees, the department accepted the OIG's recommendation to terminate their employment based on violations of Civil Service regulations and OPA policies and procedures.

Making the Roads Safe

Following his arrest for driving a City vehicle while intoxicated, John Vassallo, a former Plumbing and Heating Maintenance Worker for the Recreation Department, became the subject of an OIG investigation, which established that Vassallo had violated the City's vehicle-use and sick-leave policies.

Vassallo, who was terminated following the OIG's investigation, called out sick under false pretenses the day he destroyed a utility truck valued at \$30,185 and caused \$2,000 worth of damage to parked cars. The City's Office of Risk Management is investigating four personal injury claims filed against the City after the accident to determine if Vassallo and the City are liable.

Stopping Transfer-Tax Fraud

In partnership with the Revenue Department, the OIG has begun to investigate allegations of transfer-tax fraud. When parties in a real-estate transaction are related, they are exempt from paying transfer tax. However, if the parties to a real-estate transfer falsely certify that they are related, the City loses the transfer-tax revenue, valued at 3 percent of the property-sale price.

OIG investigations of transfer-tax fraud have helped the Revenue Department take corrective action against the responsible parties. The Pennsylvania Department of Banking and Insurance and the Pennsylvania Department of State have assisted the OIG in transfer-tax fraud investigations.

COMPLIANCE MATTERS



Standing Up for Disadvantaged Businesses

In 2011, the OIG began to investigate allegations that a prime contractor had circumvented the City's anti-discrimination policies by hiring a sham minority subcontractor that performed no work but received proceeds from a City contract. The OIG soon established that UGI HVAC Inc., William Betz Jr. Inc. and JHS and Sons Supply Company had colluded to make it appear that JHS, a City-certified minority vendor, had provided equipment and supplies for a government-funded weatherization project when JHS was paid only for the use of its name and minority-owned business certification. This was not an isolated incident. Many legitimate but disadvantaged businesses were losing out on City contracting opportunities.

The OIG identified additional vendors who had allegedly engaged in similar schemes to circumvent the City's minority-owned business requirements and anti-discrimination policies. Through Executive Order 03-12, Mayor Nutter strengthened those policies and rules, and gave the City more tools to investigate violations. Executive Order 03-12 requires that minority-, women- and disabled-owned business entities (M/W/DSBEs) must perform at least 20 percent of the contracted work by providing a "commercially useful function" under any subcontracting agreement. A commercially useful function is performing, managing or supervising meaningful work or supply efforts that are distinct from other parts of the contract and worthy of the funds allotted.

In the last two years, the OIG has devoted significant resources to investigating violations of the City's M/W/DSBE requirements and other contract-compliance issues. The investment has paid off, generating more than \$2 million in settlement revenue for the City.

COMPLIANCE MATTERS

Disadvantaged Businesses (Continued)

The OIG is also preventing circumvention of Executive Order 03-12. OIG representatives attend quarterly meetings of Compliance Matters, an oversight committee that meets with the Office of Economic Opportunity (OEO) to ensure minority participation goals are met and to discuss issues or concerns with the City's anti-discrimination policies. Additionally, Inspector General Kurland is a member of the Mayor's Economic Opportunity Cabinet, a committee formed by Mayor Nutter to set policy and establish goals to support the development, growth and participation in contract opportunities by M/W/DSBEs. OIG representatives have also given presentations on prevention and enforcement of M/W/DSBE fraud to industry trade groups, including the American Contract Compliance Association and the General Building Contractors Association, and Inspector General Kurland has discussed the OIG's efforts on WURD-AM's "Money Matters."

William Betz Jr. Inc.

An OIG investigation resulted in the City signing a no-fault settlement agreement with William Betz Jr. Inc., a local heating- and plumbing-supply company, for its involvement in circumventing minority-owned business requirements and anti-discrimination policies in at least 15 City contracts. According to the settlement, William Betz Jr. Inc. agreed to pay the City \$128,000, comply with the provisions of an Equal Opportunity Procedures Policy (EOPP) and abstain from participating in any City contract for 24 months.

The OIG investigation of Betz's relationship with UGI HVAC Inc. and JHS and Sons Supply Company found that Betz had brokered a deal that made it appear JHS had provided equipment and supplies for a government-funded weatherization project when JHS had been paid only for the use of its name and its OEO minority-owned business certification.

Under the EOPP, all of Betz's sales transactions must be "arms length." An arms length transaction exists when the parties each set their terms and prices independently. This provision prohibits Betz from brokering deals between prime contractors and M/W/DSBEs. Rather, the prime contractors must deal directly with M/W/DSBEs.

Additionally, the EOPP requires Betz to designate a compliance manager to train staff on the City's anti-discrimination policies and to report noncompliance to the OIG, OEO and the City's Procurement Department.

If Betz does not fulfill the terms of the agreement, the City reserves the right to pursue civil action to ensure compliance.

COMPLIANCE MATTERS



Corizon/Prison Health Services

Following an OIG investigation into a sham woman-owned subcontractor scheme, the City entered into a \$1.85 million settlement with a prime contractor and initiated debarment proceedings against the subcontractor.

The OIG's investigation found that prime contractor Prison Health Services, Inc. (PHS), now known as Corizon Health, Inc., subcontracted with JHK Inc. to make it appear that JHK — a City-registered woman-owned business — had provided pharmaceutical supplies to the Philadelphia Prison System. In fact, JHK was paid only for the use of its name and its woman-owned business certification.

In documents provided to the City, PHS represented that it had entered into a subcontract with JHK worth 40 percent of its \$196 million health-care contract with the Philadelphia Prison System. Instead, from 2007 to 2011, Secure Pharmacy Plus LLC and Maxor National Pharmacy Services Corporation actually provided pharmaceuticals to the Prison System while PHS paid JHK more than \$410,000, about 1 percent of the total contract value, to make it appear that JHK was supplying pharmaceuticals.

PHS took the position that it fully disclosed its subcontractor arrangement with JHK to the City. However, while PHS did request and receive approval from a Prison System employee who oversaw the City's contract with PHS, PHS never notified OEO or its predecessor, the Minority Business Enterprise Council (MBEC), of the arrangement, as it was required to do. JHK admittedly failed to provide any services to the Philadelphia Prison System other than placing its name on paperwork PHS submitted to the City.

COMPLIANCE MATTERS

Prison Health (Continued)

In addition to the settlement with PHS, and acting on the OIG's recommendation, the City removed JHK from the OEO registry of certified vendors and initiated the debarment of JHK and its owner. PHS cooperated with the OIG and made good-faith efforts to comply with the City's policies relating to M/W/DSBE participation. PHS promptly replaced JHK with another City-certified woman-owned business entity to supply pharmaceutical services. PHS also agreed to strengthen its corporate-compliance program by reviewing all of its subcontracting agreements to ensure compliance with City anti-discrimination policies.

PHS has appointed an M/W/DSBE Compliance Team Member, who ensures that M/W/DSBE requirements are fully understood by PHS personnel and who, along with PHS's in-house counsel, must approve the M/W/DSBE portion of any bid or contract submitted to the City or any City-related agency. PHS will also provide training to its employees related to these requirements.

Additionally, PHS is developing a corporate vendor-diversity program and will join the National Minority Supplier Development Council and the Women's Business Enterprise National Council in order to continue to promote diversity among its vendors nationwide.

Executive Order 03-12

Disparities continue to exist in the utilization of minority-, women- and disabled-owned businesses in City contracts.

In an effort to solve this disparity, the City created the Office of Economic Opportunity in 2008 to advance opportunities for M/W/DSBEs.

According to Executive Order 03-12, more than 2,000 M/W/DSBEs have registered with OEO, representing their businesses as prepared to compete for City contracts.

OEO monitors City contracts with M/W/DSBE commitments. It also ensures that bidders comply with the goals of the executive order.

COMPLIANCE MATTERS

Aramark/Strother

Following an OIG investigation, the City signed a no-fault settlement agreement with Aramark Correctional Services (ACS) and Strother Enterprises, Inc. (Strother) to conclude a dispute over allegations that the companies circumvented the City's minority-owned business requirements and anti-discrimination policies by submitting inaccurate invoices to the City for payment under ACS' food-services contracts with the Philadelphia Prison System.

Pursuant to the settlement, the companies paid the City a total of \$400,000 and incorporated new internal policies to ensure their compliance with anti-discrimination policies on future contracts with the City and/or City-related agencies.

The OIG established that ACS had inaccurately reported payments made to Strother in documentation submitted to the City. Although Strother, a City-certified minority-business entity, performed actual work in connection with PPS food-services contracts, the OIG found that the company had engaged in a circular billing arrangement with ACS, which made it appear that Strother had performed a larger percentage of the contracted work than it had actually performed.

ACS was required by contract to meet an M/W/DSBE participation range of 20 to 25 percent. If ACS had made a good faith effort to fulfill the requirement but could not do so, the City could have granted a reduction in the participation range. However, ACS did not attempt to demonstrate a good faith showing, according to the OIG's investigation, nor did the company apply for a participation reduction. Instead, the OIG found, ACS used a circular billing arrangement to create the appearance of compliance.

Evidence of the circular billing arrangement between ACS and Strother was first discovered by the City Controller's Office, which prompted an investigation by the OIG. The OIG established that Strother, at ACS' direction, invoiced ACS for food-service and food-product costs. However, ACS provided the food for the contract, and Strother received a net payment for only the food service portion of the contract, overstating Strother's revenue by more than \$2 million.

ACS agreed to change its minority participation-reporting procedures to more clearly explain its financial relationship with Strother to the City. Additionally, ACS has implemented a comprehensive compliance program related to the identification, retention and payment of M/W/DSBEs.

COMPLIANCE MATTERS

Aramark (Continued)

A key provision of the compliance program requires that ACS executives certify that all contractual documents and invoices submitted to the City or City-related agencies are true and accurate. Similarly, Strother executives must certify the truth and accuracy of all contractual documents and invoices submitted to prime contractors performing work for the City or City-related agencies. Both companies will provide compliance training to employees involved in bidding, contract negotiation and invoicing.

The compliance programs will remain in effect for as long as ACS and Strother perform work under City contracts that contain participation requirements for M/W/DSBEs.

"The Office of Economic Opportunity concurs with the OIG's findings. M/W/DSBEs should represent arms-length relations with prime contractors on City contracts. OEO will work with the Philadelphia Prison System and Aramark to ensure good faith efforts are used to meet their M/W/DSBE goals."

—Angela Dowd-Burton
Executive Director,
Office of Economic Opportunity

Moving Forward

The mission of the OIG's compliance program is to ensure that the City contracting process is fair and transparent, and to ensure that all qualified businesses have an equal opportunity to get City contracts. The goal is to hold companies accountable to the taxpayers by making them responsible for following the City's anti-discrimination policies and rules, not to put them out of business.

By allowing companies to settle allegations of misconduct with payments to the City, the OIG addresses the alleged past misconduct and generates funds for worthy City programs. By working with those companies to bring them into compliance with the City's rules, the OIG helps prevent further misconduct.

The net effect is a level playing field and more opportunities for honest, hardworking M/W/DSBE businesses, which benefits and sustains our local economy.

PROTECTING TAXPAYER MONEY



Pension Disqualification

Many City employees earn a well-deserved pension upon retirement. However, those found guilty of crimes committed while working in an official capacity lose their right to such retirement privileges. Since January 2008, the OIG has collaborated with the Law Department and the Board of Pensions and Retirement to identify and disqualify City employees convicted of felonies related to their jobs. That collaboration has saved the City nearly \$15.5 million.

Holding Supervisors Accountable

Many remedies for misconduct can be found in City ordinances and departmental handbooks, but these regulations are only as good as those who enforce them. That's why the OIG scrutinizes patterns of abuse that occur under a supervisor's watch.

When supervisors are held accountable for their misconduct, the message ripples through the unit, deterring further wrongdoing. Well-supervised workers are more productive and effective.

Prudent Discipline

The OIG recommends punishment only when a claim has been fully validated by the evidence. Often, the allegations are unfounded, and hard-working City employees are exonerated. In other cases, the unfortunate reality is evident and irrefutable. When departments receive OIG reports of investigation, they can rest assured that the evidence will withstand close examination by a civil court or the Civil Service Commission. In most cases, departments accept our recommendations. Since 2008, the Civil Service Commission has not overturned a single recommended termination and awarded back pay.

CHANGING THE CULTURE

Engaging the Stakeholders

In our view, the key to building public trust is to engage Philadelphians in an ongoing conversation about how to make Philadelphia a better place to work and live. We believe that an honest, ethical and transparent government creates the best possible conditions for taxpayers to enjoy all that the City has to offer, and so our public outreach efforts have focused not just on our case results, but on what it takes to nurture reform.

In public speaking engagements, Inspector General Kurland offers unique insight into public corruption in Philadelphia, drawing on her 24 years of prosecuting wayward City officials as an Assistant U.S. Attorney and on her last five years of leading the OIG. She has found that the vast majority of City employees are honest and hardworking individuals who take pride in public service, individuals who are tired of having their reputation tainted by the comparative few who take advantage of the City and its taxpayers.

Receptive audiences have helped us put corruption in perspective. In partnership with the International Visitors Council, the OIG has advised watchdogs from developing democracies on how to combat corrupt schemes in their countries by applying lessons learned in Philadelphia. Many times, our visitors describe a pervasive culture of corruption that may take decades to rein in. The workshops always remind us how far Philadelphia has come.

By sharing their views on what has worked and the challenges that remain, audiences at the Philadelphia Bar Association's Policy Committee meeting and the American Jewish Committee's "State of Philadelphia" Speaker Series have shown us how adamant many Philadelphians are about good government. We've carried the conversation to Twitter in order to make it a daily part of Philadelphia's consciousness. We keep our followers up to date with our recent case results and initiatives, and we also share the best OIG cases from around the country as well as content on fraud prevention and open-government initiatives.

In 2013, we will also unveil a new website that will incorporate our case results, complaint form, contact information, documents of record and social media feeds into an interactive, user-friendly tapestry. We will continue to develop our outreach strategy to reach our technologically savvy constituents.

CHANGING THE CULTURE



OIG employees fasten the beams of a greenhouse built to protect a community garden in the Penrose section of Philadelphia, which is home to fresh, local produce.

A Neighborhood Renewed

On a warm October day, we traveled to the Penrose section of the City to see an unusual case result come to fruition.

In 2011, an OIG case led to the discovery of more than \$100,000 in unused bonus points in an unauthorized corporate rewards account that two former City employees had opened under the City's Verizon contract. They had used more than \$48,000 worth of points to improperly procure TVs, iPods, coffeemakers and other items for themselves and coworkers.

The remaining rewards points offered the City a unique opportunity to turn a disgraceful situation into something that could directly improve the quality of life of Philadelphians. In coordination with the OIG, the Managing Director's Office (MDO) turned the unused points into gift cards to purchase supplies for community-revitalization projects run by the MDO's PhillyRising program.

Soon after, in Frankford and Hartranft and Strawberry Mansion, community residents were cleaning streets and painting murals with new tools and supplies, reclaiming their neighborhoods one block at a time. A new Philadelphia had begun to rise in places where crime and decay had long reigned.

CHANGING THE CULTURE



The Philly Urban Creators and the OIG ended a day of community service with a well-deserved rest and a discussion of what was next for the garden.

Renewed (Continued)

We witnessed this spirit of renewal ourselves at 11th and Dakota streets, where we met the Philly Urban Creators and a group of AmeriCorps volunteers at a community garden they had created in collaboration with PhillyRising.

The project was designed with sustainability in mind. Fresh produce grows from the soil on this once-vacant, trash-strewn lot. Rain barrels catch the water that irrigates the land. In a neighborhood with few high-quality food options, the garden is providing healthy alternatives.

During our visit, we helped assemble a greenhouse and planted flowers and microgreens. We removed accumulated trash and ripped out weeds in an empty lot where bee colonies will one day produce local honey for the community. We found ourselves humbled and awestruck by what the volunteers had accomplished. They had created a peaceful place to meditate on Philadelphia's growth.

The City employees who set up the rewards program made bad choices that tainted the reputation of their colleagues. But a spirit of collaboration and a commitment to the greater good has outshined those misdeeds.

CHANGING THE CULTURE



The Case for Independence

Although the City has made great strides in the name of good government over the last five years, it remains vulnerable to fraud, corruption and misconduct, particularly in the administrative arena, where the City is solely responsible for holding individuals accountable.

While the OIG has the authority to investigate criminal and administrative complaints of waste, fraud and abuse of power, its jurisdiction to examine violations of administrative rules and regulations makes the OIG an essential actor in Philadelphia's fight against corruption.

Safeguarding the public trust is a complex undertaking that demands sophisticated solutions. The task of enforcement operates less like a rigid machine, with fixed parts handling discrete functions, and more like an ecosystem that lives and breathes across a variety of different landscapes.

At the epicenter of this system is the control of purely administrative misconduct, placing significant pressure on the day-to-day employment decisions made at every level of government supervision. By attacking corruption at its roots here, the OIG prevents larger frauds from occurring.

The office has flourished with the operational independence that Mayor Nutter has given it to dig deep into cases. But in its current form, the OIG will always need a supportive mayor in order to succeed.

CHANGING THE CULTURE

Independence (Continued)

In order to root out corruption over the long term, the OIG needs to be a permanent part of City government. Ultimately, “independence” is about insulating the Office of the Inspector General from external political influence. Without the proper protections in place, the integrity of the investigative work product could become compromised, and the office could transform into an instrument of political favoritism and selective enforcement.

In order to preserve public credibility, the OIG must be wholly free to investigate allegations of corruption and wrongdoing without regard to political consequence. This fundamental concept drives long-term effectiveness for OIGs at all levels of government. Following this model, many large cities have enacted independent offices, including Chicago, Albuquerque, Miami and Palm Beach Counties, Detroit, New Orleans, Washington, DC and Yonkers.

In January 2013, Councilman James F. Kenney introduced a resolution calling for the creation of an independent and permanent OIG in Philadelphia by way of an amendment to the Home Rule Charter. If approved by City Council, this resolution will set the stage for the public to vote on the amendment in May 2013.

We are calling on the citizens of Philadelphia to express their support for this initiative, which we believe will ensure that the taxpayers’ interest in a fair, transparent and honest government will remain one of the City’s top priorities.

The public’s strong support for our mission over the last five years has enabled us to grow and succeed. Together, we have helped change the culture of Philadelphia, making it a better place to work and live.

With a steadfast check on corruption, Philadelphia will realize its potential to be a world-class city.

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