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 and audits 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.

As an operationally independent office, shielded from governmental influence, 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 city employee or other resident, 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

The Year in Numbers 1
Message from the Inspector General 3
Message from the Mayor 4
Toward a More Ethical Government 5
Power in Numbers 6
Rooting Out Fraud and Corruption 7
Protecting Taxpayer Money 13
Leveling the Playing Field 15
Moving Forward 16

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....”
THE YEAR IN NUMBERS

Financial Accomplishments

Terminations* ……………………………..$3,113,480.00
Suspensions [actual]…………………………….$26,867.65
Restitution [funds returned to city]…………..$332,559.68
Fines/Assessments/Recovery………………….$3,434,187.52
DROP [employee forfeited DROP retirement
because of OIG investigation]……………..$141,188.47
Pension Disqualification Savings**……….$2,042,343.68

TOTAL: $9,090,627.00

Additional Financial Savings

A forensic audit of grants to Citizens’ Alliance for Better
Neighborhoods and Spring Garden CDC led to the
stoppage of funding to both organizations — a potential
savings of $10.2 million — and a $387,500 settlement
with Citizens’ Alliance (see page 13).

2010 Case Results

Arrest/Indictment………………………...…………………8
Trial/Plea…………………………………………………………7
Sentencing……………………………………………………………5
Termination…………………………………………………………37
Suspension……………………………………………………………7
Civil Service Hearing………………………………………...2
Arbitration……………………………………………………………1
Restitution……………………………………………………………10
Pension Disqualified………………………………………..3
Pension Disqualification Pending……………………………4
Other Action………………………………………………………15
Investigation Complete/Action Pending………………….8

Year-to-Date Data 2010

Total complaints received in 2010: 594
(Previous year total: 688)
Total complaints assigned case numbers: 168
♦ Complaints closed: 109
♦ Involving city employees: 125
♦ Involving vendors or contractors
doing business with the city: 23

These complaints were assigned as follows:
♦ OIG: 115
♦ OIG/Integrity Officer: 44
♦ OIG/District Attorney: 2
♦ OIG/State: 1
♦ OIG/Federal: 5
♦ OIG/Police: 1

Open Complaints

Current number of open complaints: 119

Open cases are assigned as follows:
♦ OIG: 73
♦ OIG/City Department: 20
♦ OIG/Local (Criminal): 8
♦ OIG/State (Criminal): 2
♦ OIG/Federal (Criminal): 16

*The OIG takes a conservative approach to documenting financial
savings, basing this number on a two-year salary projection. Some
federal agencies project the salary over the employee’s remaining career
and include pension accumulation. Although not included, pension-
disbursement savings are significant if an employee is terminated or
resigns as a result of an investigation.

**Calculation based on U.S. Census Bureau life-expectancy projections
THE YEAR IN NUMBERS

[Pie chart: Primary Department Complaints]

[Bar chart: Source of Complaint]

[Pie chart: 2010 Primary Categories]
MESSAGE FROM THE INSPECTOR GENERAL

Our mission was ambitious, but we had to think big.

It was the winter of 2008, and Mayor Nutter had asked me to reinvent the OIG to help stave off the wave of cynicism that was looming over our city. Frustrated taxpayers were losing faith in their government, and dedicated public servants were getting sick of the brazen few who were ruining their collective reputation.

We knew it would take more than a half-hearted commitment to restore integrity to city government, and we were willing to give it everything we had. We pledged to root out waste, fraud, corruption and abuse. We said we would make Philadelphia a more ethical place, and we meant it.

In the last three years, we’ve made great progress in the name of good government. OIG investigations have led to the termination of 98 city employees and punitive action against others who have tried to take advantage of the city. We’ve also helped to bring criminal charges against 34 individuals in partnership with local, state and federal law-enforcement agencies.

More importantly, no city employee has successfully appealed an OIG-recommended termination and won reinstatement with back pay in the last three years. In the past, the city’s Civil Service Commission frequently reversed OIG-recommended decisions on appeal. But we have prevented such outcomes by conducting thorough investigations and calling for harsh discipline only when our evidence is airtight.

Still, we have much work left to do.

True reform is born of persistence. It grows in slow spurts, nurtured by patience, purpose and poise. Without courage and collaboration, it will wilt and decay.

We hope this report inspires you to keep moving forward with us. Our mission won’t succeed without you.

Regards,

Amy L. Kurland
MESSAGE FROM THE MAYOR

At the heart of the contract between the people and their public servants is a promise that public resources will be used to benefit the common good and not to line an official’s pockets.

Every day, I applaud the skill and hard work of city employees, but I also know that a very small percentage of them are engaged in illegal activities. My goal is to separate them from government as soon as possible. That’s why I transformed the Inspector General’s Office with new leadership, a highly trained staff and the resources they need to do a critical job on behalf of our city’s taxpayers.

For three years now, my administration has worked with great success to identify and fire almost 100 employees engaged in improper behavior. At the same time, Inspector General Amy Kurland and her colleague, Chief Integrity Officer Joan Markman, have provided training on ethical conduct to thousands of city employees.

Rooting out wrongdoing is part of the new OIG’s mission, but without institutional change, the opportunities for corruption remain a constant temptation for some employees. In 2010, the OIG issued three policy reports recommending changes to departments where corruption cases were earlier uncovered. Departments have enthusiastically adopted these changes.

Instead of city officials watching from the sidelines as the U.S. Attorney’s Office holds a press conference to announce an arrest or indictment, we are standing with them shoulder to shoulder.

Every day, we’re proving that the City can police itself and correct the institutional setting that enables corruption to flourish. The OIG and the Administration are working hard to set an example of good government and to strengthen the public’s trust in its public servants.

I want to thank Inspector General Amy Kurland and her professional staff for their efforts on behalf of all Philadelphians who are entitled to an honest and efficient government.

Sincerely,

Michael A. Nutter
The structure and function of the OIG has changed fundamentally since January 2008. The office previously operated under the Mayor’s supervision and focused on low-level misconduct, with as many as 50 cases open at a time for each investigator. But Mayor Michael Nutter recognized the importance of enabling the OIG to become an independent watchdog for the executive branch. He appointed Inspector General Amy Kurland, a former federal prosecutor, to transform the office into a more aggressive investigative body.

In 2009, Mayor Nutter officially separated the OIG from his office, giving it the authority to open investigations as it sees fit. Since then, the OIG has targeted city employees and contractors whose corrupt schemes have seriously harmed the city.

Although complex cases may take years to investigate, the new OIG has shown that the investment of resources pays off. In 2010, the office saved and recovered a total of $9.1 million for the city while working with a $1.3 million budget.

The non-monetary benefits are equally valuable. By exposing the roots of deep-seated corruption, the OIG has helped to rip out rotten elements and deter further abuse. By scrutinizing broken policies and poor oversight, the OIG has helped city managers bring about reform.

But the OIG could not have accomplished all of this on its own. Many partners have contributed to the office’s success.
POWER IN NUMBERS

Collaborative Law Enforcement

The OIG’s partnerships with federal, state and local law-enforcement agencies have produced an impressive number of arrests and indictments.

These partnerships and the presence of a strong OIG will continue to detect and prevent fraud, corruption and misconduct.

The Integrity Officer Program

The OIG has trained 38 integrity officers, representing 34 city departments and agencies, to investigate cases of minor misconduct and recommend appropriate discipline.

By honing in on non-criminal offenses, integrity officers have shown city employees that no violation of the public’s trust is too small to correct.

Whistleblower Assistance

By enacting whistleblower-incentive legislation in 2010, city officials signaled their support for witnesses of corruption to come forward with evidence of serious offenses against the city.

In concert with the Law Department, the OIG will investigate whistleblower complaints while protecting witnesses from retaliation.

By ensuring the safety of those brave enough to expose wrongdoing, the city affirms its commitment to justice.

"The strong partnership between the Office of the Inspector General and federal law enforcement has enhanced the fight against corruption in Philadelphia. The information and resource sharing involved in this joint effort are vital to our efforts to successfully prosecute those individuals who seek to improperly enrich themselves at the public’s expense.

In these cases, the common goal is to restore public integrity and the public’s confidence in its government.”

—Zane David Memeger
U.S. Attorney, Philadelphia

"The FBI’s success in combating significant public corruption in Philadelphia, one of our top criminal investigative priorities, is due in part to our enduring partnerships with agencies like the city’s Office of the Inspector General.

As a team, we are a formidable opponent to those in government who might think that they can use their official positions for their own personal gain, and we expect our successes to continue into the future as we continue to grow and strengthen our relationship with the OIG.”

—George C. Venizelos
Special Agent-in-Charge, FBI Philadelphia
ROOTING OUT FRAUD AND CORRUPTION

Setting the Records Straight

In 2009, the OIG received a complaint alleging that Kelly Kaufmann Layre, a clerk in the city Records Department, had been copying traffic accident reports in Room 168 of City Hall, selling them outside of the office and pocketing cash payments. The OIG opened a case and teamed up with the Federal Bureau of Investigation and the United States Attorney’s Office to uncover a four-year scheme that deprived the city of more than $600,000 in fees.

At a rate significantly lower than the city’s standard report fee of $20 or $25 each, Layre provided more than 20,000 traffic-accident, police-incident and emergency medical-service/fire reports to Brian Daly of Metro Filing Services, Paul Kling of PSE Services and Tina Meyrick of Auto Accident Research Service. In exchange, Layre received more than $185,000 in cash.

All four conspirators pled guilty to federal bribery charges.

Layre was sentenced to 24 months in prison followed by 36 months of supervised release, including six months of house arrest. In addition to confinement, Layre was ordered to pay $600,415 in restitution to the city.

Meyrick was sentenced to 36 months in prison followed by 36 months of supervised release, including 12 months of house arrest. She was ordered to pay $456,725 in restitution to the city.

Daly and Kling are scheduled for sentencing in Federal District Court in Spring 2011.
ROOTING OUT FRAUD AND CORRUPTION

Records (Continued)

On its own, an uncollected $25 fee might seem paltry, but imagine the impact of 20,000 uncollected fees. With $600,415, the city could have put another 11 police officers on the streets for a year or kept 15 swimming pools open through another sweltering summer. The city could have found many good uses for the money, but it was cheated out of the opportunity.

The Layre case illustrates the need to foster a culture of integrity across city government. Campaigns of corruption often start with one lapse of judgment. But by building an army of vigilant public servants, the city can keep wayward employees in check and defend itself against thieves.

Commissioner Joan Decker has heeded the call to action. In consultation with the OIG, Decker has reconfigured City Hall Room 168 and installed security cameras to prevent criminal collusion in the future. Together, Decker and the OIG will continue to clean up the Records Department.

Dirty Deeds

Ramon Pabon, a former title-registration aide for the Records Department, was sentenced to 24 months in prison for filing false tax returns and accepting money to prepare and record fraudulent and unauthorized deeds. Pabon raked in $46,295 by selling false deeds, and failed to report the income on his federal tax returns for the years 2006 to 2008. In addition to prison time, Pabon was ordered to pay $20,968 in restitution to the Internal Revenue Service.

The charges against Pabon came as a result of an OIG investigation conducted jointly with the IRS and the FBI. The Philadelphia District Attorney’s Office also assisted with the case.

Donna Randolph, a Revenue Department employee who had notarized some of the fraudulent deeds for Pabon, was fired following a separate investigation. The OIG investigation also established that Randolph had been working an unauthorized second job with a real estate company.
Bogus Prescriptions

**Maria Josey**, a clerk with city Health Center 5, was arrested on 85 counts of prescription fraud-related charges following an OIG investigation conducted jointly with the Drug Enforcement Administration and the Philadelphia District Attorney’s Office.

Josey allegedly took blank prescription pads from the health center and sold single prescriptions for $25 each. In addition, she allegedly forged physicians’ signatures and vouched for her buyers when pharmacists called to verify prescriptions for Oxycontin and other drugs.

A pharmacist with Health Center 5 was fired after a separate investigation into the sale of bogus prescriptions.

Operation Trick Note

Paid sick leave is a generous benefit available to city employees, and is reserved for those who are incapacitated with illness. The OIG has created a new initiative, Operation Trick Note, to get rid of employees who abuse the benefit by turning in falsified sick notes.

In 2010, the OIG snared four Youth Study Center employees who had submitted falsified sick notes. Food Service Worker **Arthur Brantley**, Youth Detention Supervisor **Gregory Mills** and Youth Detention Counselors **Trent Middleton** and **Tiffany Averette** resigned in lieu of termination. So far, the operation has recovered $9,367 in sick leave paid to the former Youth Study Center employees. Five more investigations are ongoing.
ROOTING OUT FRAUD AND CORRUPTION

Curbing the Abuse of Power

Kenneth Gassman, a former inspector with the Philadelphia Department of Licenses and Inspection, pled guilty to charges of Hobbs Act extortion following a joint OIG-FBI investigation. Gassman, who owns multiple properties around the city, abused his position in an attempt to pressure a Fishtown man into selling a garage. Gassman continuously harassed the man, vandalizing the garage and using aliases to report unsafe conditions at the property to the city.

Safety is Not for Sale

Thomas Wright, a former L&I clerk, was arrested and charged with 12 counts of bribery following an OIG joint investigation with the Philadelphia Police Department.

Wright allegedly issued a total of 19 professional licenses to 12 unqualified individuals in exchange for cash kickbacks. In all, 26 work permits were issued to four of the unqualified licensees, including permits for plumbing and electrical contracting. The license irregularities were caught by L&I and referred to the OIG.

Wright, who was terminated from city employment in September 2007 for unrelated reasons, was scheduled to attend a preliminary hearing on Feb. 28, 2011. The OIG has collaborated with L&I to ensure that all improperly permitted work meets city safety standards.

Heap of Lies

In 2009, the city and state OIG nabbed 16 government employees and two co-conspirators for exploiting the city’s Crisis program and the state’s Low Income Home Energy Assistance Program (LIHEAP). Investigators have implicated two more L&I employees as part of the ongoing welfare-fraud probe.

Joann Robinson, a former service representative, underreported her family income in order to obtain Crisis benefits, and was also involved in processing each of her twelve applications for the program. Robinson resigned in lieu of termination.

A former administrative services supervisor allegedly completed fraudulent LIHEAP and Crisis applications in her son’s name for utility bills that she was obligated to pay. The supervisor was involved in the processing of all of her son’s Crisis applications and later lied to the OIG about her misconduct. She was suspended for 30 days with intent to dismiss, but is appealing her termination with the Civil Service Commission.
Ticket Rip-off

An OIG investigation led to the resignation or termination of four city employees and two Philadelphia Parking Authority employees for their involvement in a parking ticket-fixing scheme.

The OIG established that Ivette Garcia and Denean Hardy, hearing examiners with the Bureau of Administrative Adjudication, and their supervisor, Joanna Schofield, had heard and dismissed numerous parking violations for friends and family, violating BAA policies and statutes of the Philadelphia Home Rule Charter and the Philadelphia Ethics Code.

The OIG also found that Robin Bass, a PPA senior intake clerk, and Reginald Bass-Reid, a PPA coin collector, had violated rules in the PPA manual by having their own parking tickets dismissed by Schofield, Garcia and Hardy.

Garcia, Hardy, Bass and Bass-Reid were fired, and Schofield resigned in lieu of termination.

Clorise Wynn, a Finance Department deputy director who was in charge of the BAA’s day-to-day operations while the scheme occurred, resigned before the OIG had the chance to call for her termination.

The OIG found that Wynn had provided poor oversight of parking-violation hearing examiners and failed to implement a policy prohibiting ticket-fixing for friends and family of PPA and BAA employees.
Rip-off (Continued)

Wynn said that dismissing parking tickets for friends and family was an obvious ethical violation. Yet the OIG determined that Wynn herself had dismissed 35 parking tickets for her daughter and hundreds for the owners of a local restaurant, who had given Wynn free and discounted food.

Finance Director Rob Dubow and PPA Executive Director Vincent Fenerty Jr. provided assistance with the investigation. They have implemented OIG-recommended policy changes to add fairness and transparency to the parking-ticket appeals process.

Cashing Out

An OIG probe into the city Revenue Department established that a former revenue collection manager had embezzled more than $400,000, beginning in the mid-1990s and continuing until his retirement in December 2005.

The OIG found that the manager had pocketed cash in 96 transactions, all during a time when he was responsible for overseeing the entire revenue-collection process for the city. The manager passed away before prosecutors could bring criminal charges against him.

To prevent further theft and shore up internal controls, the OIG analyzed the Revenue Department’s payment-processing procedures and issued a policy-recommendation report to Revenue Commissioner Keith Richardson, who has adopted the OIG’s recommendations. The new policies include a daily requirement for supervisors to check all payments entered by Revenue clerks against original documents, a prohibition against supervisors acting as cashiers and additional fraud-detection training for those who count money.

Cashing In

During an ongoing investigation of Revenue Department employees, the OIG discovered evidence of eight uncashed wage-tax checks from the U.S. Department of Defense totaling $3.4 million. After the OIG informed the Defense Department about the discrepancy, Defense officials verified that the city had not deposited the checks upon receiving them in 2005. The department then reissued the checks, allowing the city to add the $3.4 million to its general fund. The OIG is continuing to work with the Revenue Department to make sure that the city’s wage-tax receipts match up with the records of federal agencies, and that the city receives all of the payments it is due.
PROTECTING TAXPAYER MONEY

Holding Nonprofits Accountable

In 2009, the Delaware River Waterfront Corporation (DRWC) asked the OIG to oversee and assist with a forensic audit and investigation of grants awarded to two nonprofit organizations associated with former State Senator Vincent J. Fumo.

Under contract with DRWC and in collaboration with the OIG, L.B. Pedrotty & Associates conducted the audit and investigation, establishing that Spring Garden Community Development Corporation and Citizens’ Alliance for Better Neighborhoods had misspent and/or misappropriated $5.4 million in grant funds.

Spring Garden CDC’s infractions included the misuse of approximately $23,643 in profits from a commercial parking lot. Citizens’ Alliance violated the terms of its 501(c)(3) nonprofit status by diverting more than $4.5 million in grant money to for-profit ventures and another $137,371 to Fumo and his longtime aide Ruth Arnao.

In a March 2010 report, the OIG called for the nonprofits to return the $5.4 million — plus interest earned — to DRWC. The OIG also urged DRWC to find a more appropriate use for the money, one in line with the original purposes of the grants and in accordance with city rules and regulations.

The OIG also called upon PPJOC, a joint committee of the former Penn’s Landing Corporation and the Philadelphia Industrial Development Corporation, to immediately cease funding the operating grants for Spring Garden CDC and Citizens’ Alliance. Because the nonprofits had violated 501(c)(3) rules, commingled funds inappropriately and submitted inaccurate financial reports — or submitted no financial reports at all — the OIG argued that the Fumo-connected entities should not receive any more taxpayer money.

Based on the OIG’s recommendations, PPJOC stopped grant payments to both nonprofits — a potential savings of $10.2 million — and the city has negotiated a settlement agreement with Citizens’ Alliance.

Citizens’ Alliance (now known as the East Passyunk Development Corporation) has paid DRWC $187,500 and has promised $200,000 for the improvement of bike trails along the Delaware River. The Pennsylvania Attorney General’s Office has approved the settlement agreement.

The full audit and investigation is available online at www.phila.gov/oig.
ARRA Compliance and Control Initiative

Since the passage of the American Reinvestment and Recovery Act of 2009, the city has received $258 million in federal stimulus funds while SEPTA and other quasi-governmental agencies operating in the city have received $95 million. Recognizing the city’s duty to be a good steward of taxpayer money, the OIG and the Integrity Office have developed a proactive ARRA Compliance and Control Program.

The ARRA team has formally evaluated all 34 grants, ranked them by level of risk and begun inspecting relevant records to ensure compliance with applicable laws and regulations. To date, the team has visited 15 grant administrators, analyzed records for 12 grants and completed 10 compliance-review reports. The team will proceed with the rest of the grants in order of risk, and, at the request of some project managers, is developing a program to monitor subgrants that have been doled out to smaller organizations.

The team also has provided initial training in fraud detection and prevention to ARRA project managers, and will update the managers on new issues periodically.

Bolstering Deterrence

Corruption spreads in the absence of harsh consequences. But effective deterrence can reverse the tide. That’s why the OIG has pushed for harsh penalties against those who have cheated the city. Through compelling court testimony, the OIG has helped to ensure that judges impose meaningful sentences on those convicted of crimes. Furthermore, the OIG has partnered with the Law Department to recover lost funds, impose stiff fines and disqualify convicts from receiving a city pension — all to even the score for taxpayers.

Maximizing Efficiency

The OIG has set an example for other agencies by using city resources efficiently. By outsourcing surveillance to private contractors, the office has freed up its investigators to perform more complex investigative tasks. By reducing the number of cases assigned to each investigator, the office has put a priority on long-term investigations with significant outcomes. Furthermore, OIG investigators have developed expertise in examining the operations of specific departments and agencies. With specialized knowledge of policies and procedures, OIG investigators can identify problems more easily and help departments resolve them more quickly.
LEVELING THE PLAYING FIELD

Promoting Local Economic Growth

To promote local economic growth, the city Procurement Department extends a five percent preference to Philadelphia-based businesses bidding for city contracts, lending a competitive edge to those vying to become the lowest responsible bidder.

In 2010, the OIG discovered that a number of businesses that had won city contracts thanks to the local preference appeared to be based outside the city. After completing thorough investigations, the OIG confronted several companies.

Mulhern Electric paid the city $109,700 — 10 percent of the value of its contract — and signed a settlement agreement.

A $180,000 settlement with another contractor and several more investigations are expected in 2011.

Standing Up for Disadvantaged Businesses

Honoring the city’s commitment to inclusiveness, the OIG has joined forces with the Office of Economic Opportunity to make sure that city contracts are open to legitimately diverse businesses.

The OIG and the OEO are proactively monitoring city contracts for evidence of front companies, also known as “pass throughs,” that create the false appearance of workforce diversity.

The use of sham minority contractors cheats the city and diminishes opportunities for businesses owned by minorities, women and people with disabilities.

Together, the OIG and the OEO will continue to stand up for disadvantaged businesses.
Holding Supervisors Accountable

Supervisors can be the city’s best defense against corruption, but too often they fail to catch misconduct that occurs on their watch. That has to change.

In its pursuit of true reform, the city must crack down on lax managers and hold them accountable for their failures. It must demand that supervisors accurately assess the performance of their employees, and must swiftly discipline all who betray the city’s mission of fair, honest and transparent government.

The OIG is taking the lead in this effort by targeting the city’s worst supervisors and urging department heads to hold all managers to a higher standard of conduct.

Strengthening Policies

Ridding city government of bad employees is a means to reform, but it is not an end in itself. If weak policies stay in place, the door to exploitation will remain open. The OIG wants to seal that door shut.

Distance from the day-to-day operations of city departments and agencies affords fresh perspective. It gives the OIG an opportunity to dig down to the roots of a problem without getting entangled, and puts the office in a prime position to make recommendations for change.

In 2010, the OIG issued policy reports with three investigations. The departments that received the reports have adopted the office’s recommendations, and it seems to be the start of something big. It is proof that the city can resolve its own problems through partnership and ingenuity.

Speaking Up, Speaking Out

Many more challenges lie ahead for 2011, but every challenge brings with it an opportunity to make Philadelphia a better place to work and live.

The OIG will continue to build partnerships with citizens and government officials alike to improve the quality of life for all Philadelphians.

But the OIG needs your help to succeed. Call the office. Write an e-mail. Come to visit. Your tip could make a difference.