

Hon. Michael A. Nutter, Mayor of Philadelphia Amy L. Kurland, Inspector General

OUR MISSION

FICE OF THE INSPECTOR GENERA



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.

ANNUAL REPORT 2009

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 Protecting Our Children 7 Rooting Out Fraud and Corruption 9 Protecting Taxpayer Money 13 Overhauling the BRT 15 Looking 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

Arrests [employees removed from rolls in	ı
criminal action*]	\$170,154.00
Terminations [employees removed from	
rolls in administrative action*]	\$3,203,082.56
Suspensions [actual]	\$35,953.07
Demotion/Salary Reduction	\$40,484.00
Restitution [funds returned to city]	\$46,601.21
Fines/Assessments/Recovery	\$7,000.00
DROP [employee forfeited DROP retirement	
because of OIG investigation]	\$107,205.00
Pension Disqualification Savings**	\$587,906.40
TOTAL:	\$4,198,386.24

2009 Case Results

Arrest/Indictment24
Trial/Plea4
Termination34
Suspension11
Demotion2
Civil Service Hearing4
Restitution8
Pension Disqualification Request3
Other Action
Investigation Complete/Action Pending11

Year-to-Date Data 2009

Total complaints received in 2009: 688 (Previous year total: 478)

Total complaints assigned case numbers: 298

- Complaints closed: 207
- Involving city employees: 204
- Involving vendors or contractors doing business with the city: 38

These complaints were assigned as follows:

- OIG: 140
- OIG/Integrity Officer: 131
- ◆ OIG/District Attorney: 1
- OIG/State: 0
- OIG/Federal: 16
- ♦ OIG/Police: 10

Open Complaints

Current number of open complaints: 189

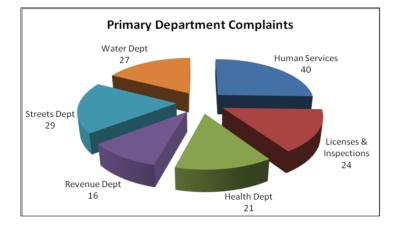
Open cases are assigned as follows:

- ♦ OIG: 96
- ♦ OIG/City Department: 56
- OIG/Local (Criminal): 9
- OIG/State (Criminal): 2
- OIG/Federal (Criminal): 26

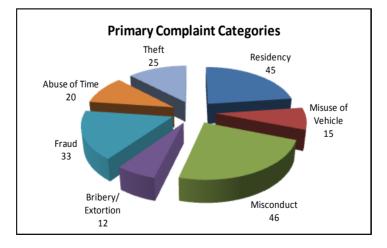
*The OIG takes a conservative approach to documenting financial savings, basing this number on a two-year salary projection. Some federal agencies project the salary over the employee's remaining career and include pension accumulation. Although not included, pension disbursement savings are significant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

**Calculation based on U.S. Census Bureau projections. See 2010 Statistical Abstract, Table 105, Expectation of Life and Expected Death by Race, Sex, and Age: 2006 (http://www.census.gov/compendia/statab/2010/tables/10s0105.pdf).

THE YEAR IN NUMBERS







MESSAGE FROM THE INSPECTOR GENERAL

A decline in housing prices was to be expected after the subprime mortgage mess, but selling a city-owned Frankford home for \$1 seemed a little too generous. It was.

Brenda Wilkins brokered that deal while working for the Philadelphia Housing Development Corporation, an agency that secures homes for low- and moderate-income families. But instead of giving hard-working Philadelphians a shot at the American Dream, she sold the house to her daughter's boyfriend — for cheap.

For her crime, Wilkins was sent to prison and ordered to pay back the city. She also forfeited her pension. Her indictment was one of 24 to arise from an OIG investigation in 2009.

Corruption paints an ugly picture of Philadelphia — one that belies its guiding principles and its timeless beauty. This picture unfairly taints the image of the city's many honest and hardworking employees, five of whom were commended by Mayor Nutter in 2009 for refusing bribes and reporting the incidents to the OIG.

When Mayor Nutter asked me to join his administration in December 2007, he had high expectations. He wanted the OIG to dig up clusters of fraud and corruption and rid the city of them. He wanted the office to safeguard taxpayer dollars, deter further wrongdoing and foster a culture of integrity in city government.

Daily, we work hard to realize these expectations and provide a valuable, perhaps priceless, service to the city. I believe corrupt employees, contractors and vendors are now worried about us in a way they never were before, and are more reluctant to cheat the city because they know we're watching.

Still, the fight against fraud and corruption needs citywide support to succeed.

We can police ourselves if we work together. Together, we can show taxpayers that their government isn't just catching fraud but preventing it. Together, we can give them their money's worth and renew their trust in government.

Regards,

amp L. K.M

Amy L. Kurland

MESSAGE FROM THE MAYOR

As candidate for Mayor, I pledged to "elevate and clarify the role of the Inspector General, who is in charge of investigating individual cases of ethics abuses, by having her report directly to me."

Immediately after taking office in 2008, I fulfilled the second part of that promise and changed the reporting structure for the Inspector General. Since that time, Inspector General Kurland has more than made good on the first part, establishing her office as a proactive watch-dog of city waste and corruption.

While the vast majority of city workers are ethical and hardworking individuals, it is important that the city stamp out bad actors before they take root.

In the past year, the OIG has been aggressive in the pursuit of wrongdoing. OIG investigations have prompted disciplinary action — ranging from criminal prosecution to job suspension — against 123 workers. Perhaps more importantly, the office has saved or recouped nearly \$4.2 million dollars for the city during these tough budget times.

The OIG has achieved these remarkable accomplishments by teaming up with others in the law-enforcement community, particularly the Federal Bureau of Investigation and the U.S. Attorney's Office.

This partnership has already yielded several successful prosecutions and is currently pursuing almost 30 additional cases.

The OIG also has nine cases open with the District Attorney's Office. With former Inspector General Seth Williams now heading the office, that partnership should only continue to grow stronger.

I sincerely thank Inspector General Kurland and her team for their continued hard work in preserving the public's trust in our city government.

Sincerely,

Vila. AS

Michael A. Nutter

TOWARD A MORE ETHICAL GOVERNMENT



Before January 2008, the OIG was mainly a referral agency. It handled mostly administrative complaints, such as residency violations, theft of time and improper use of city computers, and passed criminal complaints on to the District Attorney's Office. Those cases were rarely prosecuted.

That changed with the election of Mayor Michael Nutter, who wanted robust oversight in his administration. Under the direction of Amy Kurland, a former assistant U.S. Attorney, the office was restructured to concentrate on corruption and fraud cases with major financial implications for the city.

Such complex cases take years to investigate, but the investment of resources pays big dividends — financial, ethical and administrative. The city treasury is infused with funds, the public's faith is renewed and crooked contractors and employees are dismissed, making room for more honest public servants.

These investigations also offer the city an opportunity to address systemic problems and correct what allowed the fraud and corruption to exist in the first place.

This report shows that the city made great strides toward establishing a more ethical government in 2009. But it also shows that the city has a long way to go if it's serious about rooting out fraud and corruption.

Fortunately, the OIG has plenty of help.

POWER IN NUMBERS

The Integrity Officer Program

Revamped in January 2008, this program continues to be enormously successful. Frequent contact with our integrity officers, representing 38 city departments, ensures prompt and thorough investigation of administrative matters.

Collaborative Law Enforcement

Our working partnerships with federal, state and local law-enforcement agencies have produced an impressive number of arrests and indictments.

OIG testimony has led to successful convictions in criminal cases and enabled the city to reclaim pension funds from disqualified employees.

These partnerships and the presence of a strong OIG will continue to prevent and deter fraud, corruption and misconduct by showing city employees, vendors and contractors that we can police ourselves.

Cost-Effective Surveillance

This program has been instituted to reduce costs and increase the efficiency of the OIG. We review and evaluate allegations that may require surveillance, including residency violations and theft-of-time cases. Then we hire private surveillance experts to put in the hours necessary to observe prohibited activity.

By assessing and managing the amount of surveillance needed, we minimize the costs.

Use of private contractors also promotes efficiency by freeing up OIG investigators to perform more complex investigative tasks.

The United States Attorney and the Inspector General's Office have a longstanding tradition of working together to investigate and prosecute public corruption in Philadelphia. The partnership provides federal investigators, working with OIG investigators, critical information that can help expose municipal corruption.

Continuing this partnership is emblematic of our intent to remain vigilant against the evils corruption presents to sound government. It is part of our effort to help Philadelphians make Philadelphia a place where people can be inspired by their government.

> --Michael Levy U.S. Attorney, Philadelphia

We have forged a long-term relationship with the Philadelphia OIG, melding the investigative resources of both agencies toward a common goal of addressing corruption within all levels of Philadelphia government. We expect future success as a result of our joint effort and productive collaboration.

> —Janice Fedarcyk Special Agent-in-Charge, FBI Philadelphia

As a former Inspector General of Philadelphia myself, I recognize and appreciate the value provided to the citizens of Philadelphia by that office. I applaud their efforts, and I look forward to continuing the good relationship between the District Attorney's Office and the Inspector General's Office as we all work to make Philadelphia a safer, more efficient, and even greater city.

> -Seth Williams District Attorney, Philadelphia

OFFICE OF THE INSPECTOR GENERAL

PROTECTING OUR CHILDREN



Investigating DHS

In the wake of Danieal Kelly's untimely death, the OIG and DHS Commissioner Anne Marie Ambrose have proactively addressed accountability issues that have burdened the city Department of Human Services for decades.

In 2009, we investigated a significant number of allegations of abuse, fraud and serious misconduct at DHS. Founded allegations included:

- Sentwaki Ngozi, a 26-year employee of the DHS Youth Study Center, used nearly 242 hours of city time to work an unauthorized second job. Ngozi regularly earned city overtime pay while working the second job, cheating taxpayers out of \$6,947.79. He resigned to avoid being fired after an OIG investigation.
- **Kimberly Briggs,** a DHS social worker who had been put on the sick-leave abuse list three times, confessed that she had falsified sick notes because she wanted more money and time away from work. In lieu of termination, she resigned.
- **Parrish Wilson**, a social work trainee, filed a complaint against his supervisor after she brought disciplinary action against him for falsifying documents, being insubordinate and putting children at risk. An OIG investigation found Wilson's complaint groundless and revealed that he was dishonest with the OIG and his chain of command. The supervisor's findings were substantiated, and Wilson was dismissed from city employment.

PROTECTING OUR CHILDREN

Investigating DHS (Continued)

In an investigation pending disciplinary action, the OIG found that a social worker failed to investigate a general protective services report of child neglect. The social worker falsified child welfare documents to hide his misconduct, and the social worker's supervisor tried to conceal her lack of oversight by entering a backdated determination date into the DHS computer system.

As a result of our findings, the OIG made several recommendations for systemic change, including a recommendation for training to address the unique ethical issues of child protective services workers as well as supervisory training on methods for verifying social work records. In addition, the OIG made recommendations for ensuring the accuracy of social worker performance ratings. It has proven beneficial to work in partnership with the Inspector General's Office because it enhances and supports this department's on-going efforts to improve our internal and external accountability.

Our partnership has been extremely valuable in complicated cases where strong investigative expertise and a division of time and resources was needed.

> -Anne Marie Ambrose DHS Commissioner

Reforming DHS

Upon completion of each investigation, the OIG identified systemic problems and provided recommendations for change. DHS managers have been receptive to those recommendations and, as a result, the OIG's efforts have made a positive impact on the culture at DHS.

Supervisory staff are monitoring the performance of their employees and are no longer afraid to initiate disciplinary proceedings for poorly performing workers. Furthermore, DHS management has been effective in holding all staff accountable for their actions and in meting out appropriate discipline when warranted.

Although systemic problems linger at DHS, we believe the agency is headed in the right direction. Still, the OIG will continue to conduct investigations and make recommendations for change at DHS.

Moving forward, it is crucial to maintain a culture where unethical behavior is not tolerated — a culture where those who jeopardize young lives are swiftly disciplined.

ROOTING OUT CORRUPTION AND FRAUD



Fleecing the Needy

A long-term, joint investigation by the city and state OIG proved fruitful when 16 government employees and two co-conspirators were arrested on charges of orchestrating a massive welfare scam.

Twelve of the defendants worked for the state's Low-Income Energy Assistance Program ("LIHEAP"), which helps struggling tenants cover energy expenses and pays the tenants directly in a limited number of circumstances.

Four of the defendants worked for "Crisis," a city Department of Licenses and Inspections program that helped low-income consumers pay delinquent energy bills before creditors shut their power off.

Between September 2003 and May 2007, the defendants stole more than \$500,000 from the programs, according to a grand-jury indictment. LIHEAP employees created fraudulent applications, often fabricating the statements of landlords, according to the indictment, while Crisis employees approved fraudulent applications for themselves and other ineligible applicants. Sometimes checks were issued for claimants who didn't exist.

So far, four defendants have pleaded guilty in the case: Norma Ortolaza, a former employee of Kensington-based J&R Check Cashing; Antonio Olivencia, a former LIHEAP employee; and former L&I employees Jacqueline Jackson and Cassandra Shamberger.

ANNUAL REPORT 2009

ROOTING OUT CORRUPTION AND FRAUD

Bypassing the Gas Works

Reginald Selby, a former Office of Fleet Management employee, was arrested on charges of risking catastrophe and stealing \$1,600 worth of service from Philadelphia Gas Works.

An OIG investigation found that Selby had illegally restored service to his apartment 10 times, rigging the meter with an iron-pipe bypass on seven occasions. He could have caused a fire or an explosion by tampering with the meter, according to the Fire Marshal's Office.

Selby was expelled from his job and ordered to pay restitution for the offense.

The \$1 House That Wasn't

Brenda Wilkins, a former Philadelphia Housing Development Corporation employee, pleaded guilty to theft of federal funds and witness tampering.

Working jointly with the FBI, the OIG determined that PHDC purchased the 5437 Marsden St. property, paid for additional renovations and then listed the property for sale to eligible home buyers for \$40,000.

Wilkins later falsified documents to allow her daughter's boyfriend to buy the property for \$1. The house was valued at \$65,000.

Wilkins was sentenced to five months in prison, five months home confinement and three years supervised release. She also forfeited her pension and has been ordered to pay \$52,700 in restitution to the city. I think the Inspector General's Office is doing a wonderful job. They take cases to court and get something done.

It's important that we hold people accountable when they break the law.

It's very important that we send a message to these people, especially when they are supposed to uphold the public trust.

> **—Ed Haslett** Philadelphia Resident

Over the past year, the Law Department has continued to provide legal support to the Office of the Inspector General in its efforts to carry out the Administration's laudable goal of ensuring that the employees of the City of Philadelphia continue to do the city's work pursuant to the highest standards of good governance and ethical service to the citizens of Philadelphia.

By working together, Law and OIG have improved the city's ability to present strong cases before the Civil Service Commission.

Moreover, the close working relationship in investigation by the OIG and Law Department litigation has created an enhanced process for discipline.

> -Shelley R. Smith City Solicitor, Philadelphia

ROOTING OUT CORRUPTION AND FRAUD

Theft of City Cell Phones

Mona Lamberson, a former Division of Technology employee, was arrested by OIG detectives on charges of stealing 28 city cell phones and renting them to family, friends and eight city employees.

Lamberson collected cash from the renters and allowed them to rack up \$30,000 in city phone charges, according to a criminal complaint. The loss to the city would have been \$134,668 if city rates and discounts had not applied.

The District Attorney's Office also charged Lamberson with obstruction after she allegedly urged those using the phones to ditch the evidence and deny any knowledge of the scheme.

Misappropriating Government Funds

Dorena Kearney was charged with stealing \$138,768 in government funds while she was executive director of Colours, a nonprofit specializing in HIV prevention programs for racial minorities in the LGBT community.

The OIG investigation established that, instead of stemming the spread of a deadly disease, Kearney spent the money on travel, dog grooming, plastic surgery and other personal expenses. She was sentenced to one year in prison and three years supervised release. She was also ordered to pay restitution.

Fraudulent Deeds

Ramon Pabon, a former title registration aide with the city Records Department, allegedly prepared unauthorized deeds for cash and other compensation, according to a federal complaint. The complaint also alleges that Pabon victimized city property owners by fabricating deeds for their homes and selling the deeds to 100 people.

Pabon was fired after a joint OIG-IRS investigation found that he had raked in \$76,772 in unearned revenue. His criminal case is being prosecuted by the U.S. Attorney's Office.

The Pabon investigation has had an impact beyond the case itself. Records Department officials have heeded the OIG's recommendations and revised the department's oversight policies, protecting the system from further exploitation.

— 11 —

ANNUAL REPORT 2009

ROOTING OUT CORRUPTION AND FRAUD

<u>Tax Theft</u>

Jason Bloom, a real estate agent, was convicted on federal wire fraud charges after a joint OIG-FBI investigation established that, in addition to other crimes, Bloom had stolen \$8,280 in property-transfer taxes owed to the city. He was sentenced to six years in prison and ordered to pay restitution.

Unauthorized Secondary Employment

The OIG recognizes that some city employees must work second jobs to make ends meet. But city regulations prohibit outside work on city time and require employees to disclose second jobs.

In 2009, the OIG made secondary employment a major administrative issue. Breaches of city policy and ethics included:

- Annette Murray, a program analyst with the Behavioral Health Department, engaged in unauthorized secondary employment with Children's Service, Inc. throughout her entire city career. A review of timekeeping records found that Murray regularly worked her second job on city time. The OIG recommended that Murray be fired and required to pay restitution.
- **Charles Gregg** and **John Streeper**, former employees of the Water Department, solicited private plumbing work on city time. Gregg and Streeper wore city-issued uniforms while making their sales pitch and neither had proper plumbing permits. They were both terminated from city employment.

These cases are part of a much larger problem, and so the OIG's secondary employment probe is ongoing. Thirty-four investigations are currently open. So far, one city employee has resigned because of an OIG investigation. Two have been fired and four more are awaiting termination.

Falsified Timesheets

OIG investigations established that **Joy Ferris**, **Tommie Howell** and **James Cartwright** falsified timesheets to get paid for hours they didn't work. Ferris resigned to avoid termination; Howell and Cartwright were fired.

_____ 12 _____



PROTECTING TAXPAYER MONEY



ARRA Compliance and Control Initiative

We believe that fraud detection and fraud prevention are equally important. Accordingly, the OIG and the city's Chief Integrity Officer, Joan Markman, have teamed up to keep watch over federal stimulus funds flowing into the city.

So far, the city has been awarded approximately \$136 million through the American Recovery and Reinvestment Act, and is expected to receive additional subsidies.

ARRA funding is bringing immense benefits to the city, but it also harbors the threat of theft and mismanagement.

The city's ARRA compliance and control program minimizes the potential for fraud with a five-pronged approach:

1. **Outreach and Training:** All stimulus project managers have received initial training in fraud detection and prevention from the OIG and CIO. Periodic updates will help the managers adapt to changing circumstances.

_____ 13 _

PROTECTING TAXPAYER MONEY

ARRA Compliance and Control Initiative (Continued)

2. **Risk Analysis:** Markman and Kurland are meeting with all project managers to review project budgets and work plans and make sure performance measures and controls are in place.

3. **Transparency and Reporting:** On the city's ARRA Web site (www.phila.gov/recovery), taxpayers can find information about stimulus projects, identify contractors and subcontractors, check the status of current projects and proposals and learn about new contracting opportunities. The site also has an OIG hotline for filing complaints and reporting possible fraud. The compliance and control team will monitor and investigate the complaints.

4. New Contracting Provisions: Stimulus-funded contracts must contain provisions that prohibit misuse of funds or other dishonest practices and order compliance with reporting requirements, audits and investigations. They must also impose liquidated damages when contract provisions are not met, require contractors to save all invoices and receipts, and protect whistleblowers who report contractor fraud or misconduct.

5. **Professional Skepticism and Communication**: Continuous follow-ups by the compliance and control team, including regular meetings and project reviews, will identify and address potential problems.

Although the compliance and control program is in its initial stage, it has already prevented problems in the spending and administration of at least one ARRA grant.

The OIG anticipates that this program will continue to improve accountability in ARRAfunded projects. It is likely that the program will be expanded to provide oversight for all city contracts and grants.

OVERHAULING THE BRT

Investigating the BRT

Overhauling the city's broken property-tax assessment system has become a major challenge for the Nutter Administration and the OIG, but in partnership with Richard Negrin, interim director of the Board of Revision of Taxes, the city is making significant progress toward reform.

In 2009, OIG investigations of fraud and misconduct at the BRT led to the termination or resignation of high-ranking officials and lower-level employees.

Joseph Russo, a former BRT board member, was dismissed after an OIG investigation established that he had abused his position. Russo failed to recuse himself from assessment votes when he had a conflict of interest, chose not to disclose sizable payments he had received for political activity and tried to coax a property-tax examiner into jacking up an assessment. He also refused to cooperate with the OIG's investigation despite being offered immunity.

Barry Mescolotto, former acting Director of Assessments, resigned after an OIG investigation found that he had failed to pay taxes for a private business run out of his home, and that he had violated the city ethics code and charter by accepting expensive dinners, for himself and his family, from companies under contract with the BRT.

Additionally, two real property assistants, both Philadelphia School District employees, were dismissed for engaging in outside employment that conflicted with BRT business hours.

Reforming the BRT

While ridding the BRT of corrupt employees is imperative, the OIG's advisory role may be even more important.

Negrin is taking the OIG's recommendations seriously in making fundamental changes to BRT operations. On a regular basis, he meets with the OIG to discuss ways to combat corruption at the BRT, where theft of time, outside employment and prohibited political activity have been all too common.

Negrin and the OIG will continue to root out corruption by developing policies and safeguards to hold managers and their subordinates more accountable for their actions.

LOOKING FORWARD

Wise Investments Take Time

It is the OIG's philosophy to focus on long-term investigations because they are some of the best — and safest — investments of taxpayer money. The investments began to pay off in 2009, but even bigger rewards lie ahead for 2010.

In the first few months alone, the office expects to complete criminal investigations of suspects who defrauded taxpayers of nearly \$1.5 million.

In one case, meticulous investigation by the OIG established that a city employee had circumvented internal controls for a decade, getting away with an estimated \$500,000 in wage-tax revenues. Although the suspect passed away while the OIG was moving forward with criminal prosecution, the office's efforts were not in vain. The OIG will make recommendations and work with the department to implement additional controls and oversight to prevent similar fraud.

Maximizing Efficiency

The OIG is working with the Division of Technology to develop a new case-management system that will allow the office to maximize efficiency.

The system will consolidate all information collected by the OIG and make it available electronically for immediate retrieval.

The system will also provide a wide variety of statistical data, including historical trends in fraud and theft, and will help track and manage caseloads more effectively.

This is one more way the OIG is making every tax dollar count.

Whistleblower Protection

The OIG anticipates an increase in cases with the passage of Councilman William K. Greenlee's whistleblower-incentive bill. In concert with the Law Department, the OIG will investigate the new complaints while protecting whistleblowers from retaliation.

It is essential to make sure that those brave enough to expose corruption are safe. Only then can the fight against corruption become a citywide commitment.



The Curtis Center 601 Walnut Street, Suite 300 East Philadelphia, PA 19106

Phone: 215-686-1770 Fax: 215-686-1757 E-mail: oig@phila.gov Web site: www.phila.gov/oig

18883333

All City Hall photos courtesy of the Greater Philadelphia Tourism Marketing Corporation