

COMMEMORATING OUR 30TH ANNIVERSARY

2014
ANNUAL REPORT

KEEPING AN EYE ON OUR CITY



PHILADELPHIA OFFICE OF THE
INSPECTOR GENERAL

MICHAEL A. NUTTER, MAYOR

AMY L. KURLAND, INSPECTOR GENERAL



IN LOVING MEMORY OF



Joan Markman

1957 – 2015

PHILADELPHIA'S FIRST
CHIEF INTEGRITY OFFICER

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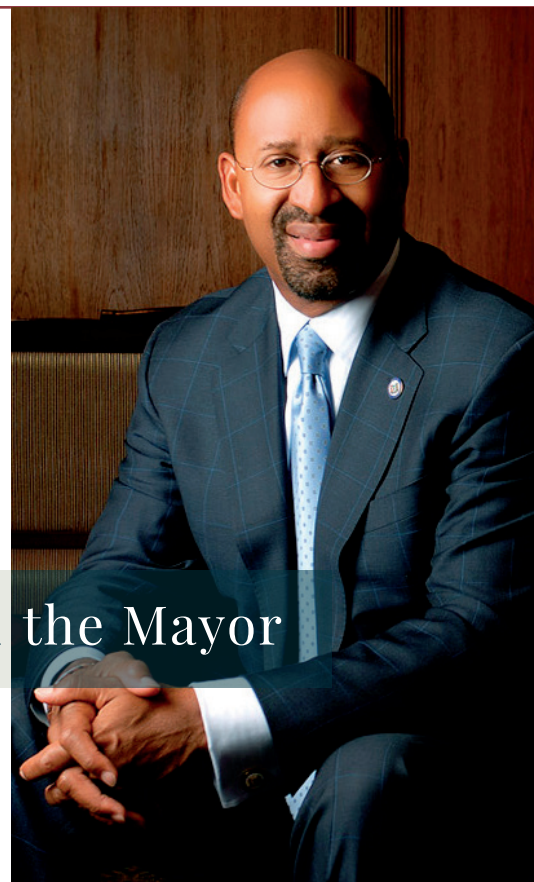
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*Note: This report was produced in accordance
with Executive Order No. 7-14.*

For 30 years, the Office of the Inspector General has worked to combat waste, fraud, abuse of power and mismanagement in City government.

Beginning under the tenure of Mayor W. Wilson Goode, Sr., the OIG was directed to investigate the agencies and programs under the Mayor's Office. Mayor Ed Rendell expanded the OIG's jurisdiction to include City contractors and strengthened the office's capabilities.

Message from the Mayor



From day one in office, our Administration made honesty, ethics and integrity a priority. We have supported and advanced the OIG, including increasing its budget and operational independence.

On October 7, 2014, I was proud to sign an Executive Order reestablishing the Office of the Inspector General with new language that better aligns the office's mandate, given the new initiatives it has undertaken over the last seven years. This Executive Order not only serves as our continued commitment to building a culture of good government, but it also ensures that the OIG will have the tools it needs to perform its important work for the next 30 years.

In addition to the Executive Order, the OIG launched a new public awareness campaign, rooted out corruption among City employees and contractors, including a DHS worker who stole thousands of dollars in SEPTA tokens and a contractor who defrauded the City through a billing scam, and recovered or saved the City \$6.4 million in 2014. In total, the OIG has saved or recovered \$58 million on behalf of the City since 2008.

I want to commend Inspector General Amy Kurland and her team on years of excellent service to the City. These efforts have been vital to restoring the public's trust in Philadelphia City government. It is my hope that the next mayor will continue to make ethics and integrity in government a priority.

Sincerely,

A handwritten signature in black ink, appearing to read "M. A. Nutter".

Michael A. Nutter

This was an exciting year for the Office of the Inspector General — we celebrated the office's 30-year anniversary.

This year Mayor Nutter also signed Executive Order 7-14, updating and clarifying the role of the OIG moving forward. Thirty years ago, former Mayor Wilson Goode established this office to root out fraud and corruption, and today we still have the same mission.

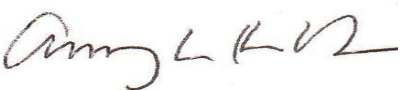
With the unwavering support of Mayor Nutter and the public's backing, the OIG has seen tremendous success. In 2014, our investigations resulted in over \$6.4 million in savings and recovery for the City of Philadelphia, 21 instances of employment discipline for those who violated the public trust and 21 arrests or indictments.

We continue to work alongside our local and federal law enforcement partners, including the Philadelphia Police, the FBI, the District Attorney's Office and the U.S. Attorney's Office. And we remain dedicated to administrative investigations across the various City departments, agencies and commissions. Our Contract Compliance Unit, which was established in 2011 to investigate fraud involving City contracts and funding, continues to have a valuable impact, with \$1.8 million in savings and recovery this year.

The OIG's case results and statistical accomplishments, however, are only a small part of our commitment to honesty and integrity in City government. In 2014, we launched an educational campaign — funded by assets recovered from our investigations — to encourage public reporting and raise awareness about the importance of government integrity. We are determined to protect our City workforce and ensure that we all have a safe and productive work environment. And, we have seen our endeavors expand across the City, with new allies and innovative focuses on non-profit entities, tax compliance and other collaborative programs in furtherance of our mission.

But we have much more to do. Mayor Nutter's dedication to honesty, integrity and transparency has highlighted the importance of the OIG. We continue to advocate for an amendment to the Home Rule Charter establishing a permanent and independent OIG. All Philadelphians are entitled to an honest government — today, tomorrow and for the next 30 years.

Sincerely,



Amy L. Kurland



Message from the Inspector General

30 YEARS OF FIGHTING FRAUD & CORRUPTION

The Evolution of the OIG

Thirty years ago, Mayor W. Wilson Goode, Sr. unveiled the Office of Performance Assessment, an “inspector general-type” office tasked with investigating City agencies, programs and employees under the Executive Branch. At the same time, Mayor Goode also announced the indictment of 28 people for their role in a long-running scheme to illegally dump trash and infectious hospital waste at a City incineration facility. The need for an internal agency to protect City residents against wrongdoing, fraud and corruption could not have been clearer.

Mayor Goode later changed the agency's name to the Office of the Inspector General, and so began the 30-year effort to bolster public confidence in City government.

In 1994, Mayor Edward G. Rendell built upon Mayor Goode's foundation, expanding the OIG's jurisdiction to include City contractors and strengthening the office's investigative reach.

When Mayor Michael Nutter first took office in 2008, his Administration was staunchly committed to honesty and integrity in Philadelphia government. Mayor Nutter recognized the importance of a strong

and independent OIG, and in 2009 he gave the OIG its own budget and operational independence from the rest of the Executive Branch, allowing the office unprecedented freedom and support in accomplishing its mission.

SINCE 2008, OVER
250 CASES
RESULTED IN TERMINATION OR
DISCIPLINE OF A CITY WORKER

During the Nutter Administration, the OIG has become an integral part of City government. Under Inspector General Kurland's leadership, the OIG has expanded, evolved and thrived. Now, the OIG helps the City clean its own house by working side-by-side with federal and local law enforcement to investigate criminal cases. The Inspector General's Contract Compliance Unit, launched in 2011, monitors City contractors and investigates potential fraud and violations of the City's anti-discrimination and

MAY 1984

Mayor W. Wilson Goode issues Executive Order 10-84, establishing the “Office of Performance Assessment” to prevent and correct fraud, abuse, corruption and mismanagement.



MARCH 1985

Mayor W. Wilson Goode changes the “Office of Performance Assessment” to the “Office of the Inspector General.”



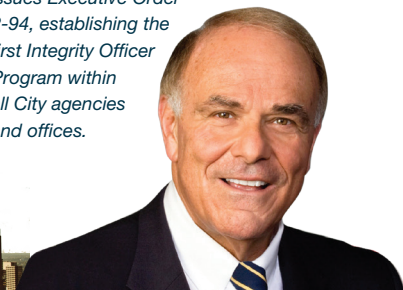
MARCH 1989

Mayor W. Wilson Goode issues Executive Order 2-89, vesting the OIG with authority to subpoena documents, testimony and other evidence in support of the OIG's mission.



JULY 1994

Mayor Edward G. Rendell issues Executive Order 2-94, establishing the first Integrity Officer Program within all City agencies and offices.





Mayor Nutter signs Executive Order 7-14 with Inspector General Kurland and former Mayors Goode and Rendell.

disadvantaged business regulations. And the OIG now works full-circle to correct possible flaws in City policies or procedures in order to prevent fraud from the ground up.

The New Order

In October 2014, to reflect the OIG's strengthened role in City government, Mayor Nutter signed Executive Order 7-14, standing together with the previous architects of the OIG, Mayors Goode and Rendell. Mayor Nutter's new Executive Order brings

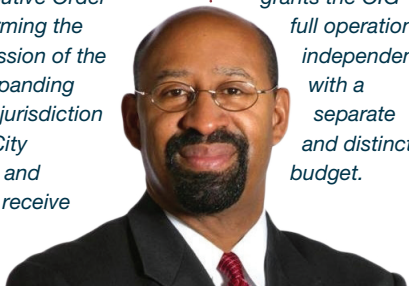
the current work of the OIG in-line with the office's legal mandate, while updating and clarifying the role of the City's departmental Integrity Officers.

Executive Order 7-14

- Ensures greater protection for courageous whistleblowers who report wrongdoing;
- Strengthens the OIG's confidentiality rules; and
- Supports the role of Integrity Officers, the honest and hardworking City employees who have been carefully selected to assist with OIG investigations.

NOVEMBER 1994

Mayor Edward G. Rendell issues Executive Order 4-94, confirming the ongoing mission of the OIG and expanding the office's jurisdiction to include City contractors and others who receive City funds.



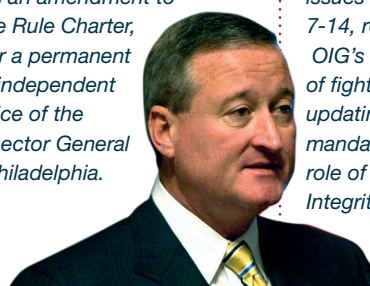
JANUARY 2009

Mayor Michael A. Nutter grants the OIG full operational independence, with a separate and distinct budget.



JANUARY 2013

Councilman James F. Kenney proposes an amendment to the Home Rule Charter, calling for a permanent and independent Office of the Inspector General in Philadelphia.



OCTOBER 2014

Mayor Michael A. Nutter issues Executive Order 7-14, recognizing the OIG's 30-year history of fighting corruption, updating the OIG's legal mandate and clarifying the role of the City's dedicated Integrity Officers.

30 YEARS OF FIGHTING FRAUD & CORRUPTION CONT'D

A large, light green graphic consisting of two overlapping circles. Inside the circles, text is centered. The text reads: "SINCE 2008, INVESTIGATIONS HAVE YIELDED A TOTAL OF \$58,242,544 IN SAVINGS AND RECOVERY". The dollar amount is in a larger, bold, dark red font.

SINCE 2008, INVESTIGATIONS
HAVE YIELDED A TOTAL OF
\$58,242,544
IN SAVINGS AND RECOVERY

The Nutter Administration's commitment to a strong and independent OIG is working. The OIG has demonstrated a track record of meticulous investigations that have resulted in real savings for the City of Philadelphia. Since 2008, OIG investigations have yielded a total of **\$58,242,544** in savings and recovery for the City and its taxpayers. Over **250** City employees who have violated the public trust have been terminated or disciplined following an OIG investigation, and **75** individuals have been arrested or indicted through the OIG's collaborative efforts with law enforcement.

Without a doubt, the OIG has paid for itself many times over. And even more importantly, the office has promoted efficient government and sent a strong message that corruption will not be tolerated.

But the OIG's work goes far beyond the story these figures tell. At its most fundamental level, the office exists to bolster public confidence in City government – to prove wrong the old adage of Philadelphia being “corrupt and contented.” Moving forward, the OIG's mission becomes even more crucial to the taxpayers of this City, who have the ability to ensure that the OIG continues to have the resources and support necessary to carry out its mission.

The Next 30 Years

With the support of the Nutter Administration, the OIG has flourished, and Executive Order 7-14 represents an important step in solidifying the office. But in its current form, the OIG will always need a supportive mayor to succeed.

In order to root out corruption over the long term, the OIG needs to be a **permanent** and **independent** part of City government, firmly established in the City Charter. In January 2013, Councilman James F. Kenney introduced a resolution for the creation of an independent and permanent OIG in Philadelphia by way of an amendment to the Home Rule Charter.

We are calling on the citizens of Philadelphia to express their support for this initiative, which 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 seven years has enabled us to grow and succeed. Together, we will continue to change the culture of Philadelphia, making it a better place to work and live.



POWER IN NUMBERS

2014 Case Results

21

Arrests/Indictments

15

Pleas/Convictions

13

Sentencings

19

Terminations

9

Restitutions

4

Compliance Agreements/
Debarments

6

License/Permit
Revocations

Financial Recovery

| | |
|-----------------------|----------------|
| Recovery | \$297,731.72 |
| Restitution | \$2,179,102.82 |
| Fines | \$442,555.50 |

Year-to-Date Total Recovery \$2,919,390.04

Financial Savings

| | |
|--|----------------|
| Suspension | \$7,164.25 |
| Termination (2-yr projection) | \$1,710,378.00 |
| DROP (resigned/terminated prior to DROP date) | \$242,985.00 |
| PELP ¹ | \$202,901.96 |
| Pension Savings ² | \$1,328,285.92 |

Year-to-Date Total Savings \$3,491,715.13

\$6,411,105.17

YEAR-TO-DATE SAVINGS AND RECOVERY

¹ *OIG investigations often uncover significant inefficiencies that, if left unchecked, would cause economic loss. In such cases, OIG recommendations result in additional financial savings. Potential Economic Loss Prevented (PELP) is a standard measurement used by federal law enforcement agencies to capture those savings.*

² *Pension savings represent disqualification due to criminal conviction or withdrawal of contributions due to pending arrest or indictment. Pension disbursement savings arise when an employee is terminated or resigns as a result of an investigation prior to vesting. The figure is a conservative estimate based on Census Bureau life expectancy data.*

Year-to-Date Data

630
TOTAL # OF
COMPLAINTS
RECEIVED

OF NEW
CASES
OPENED
232

Cases opened by department

| | |
|---|----|
| Board of Revision of Taxes | 2 |
| City Commissioners | 1 |
| City Council | 1 |
| City Treasurer | 1 |
| Commerce Department | 5 |
| Courts | 2 |
| Department of Human Services | 13 |
| Department of Licenses & Inspections | 33 |
| District Attorney's Office | 1 |
| Finance Department | 3 |
| Fire Department | 7 |
| Fleet Management | 2 |
| Free Library | 4 |
| Health Department | 7 |
| Historical Commission | 2 |
| Law Department | 2 |
| Managing Director's Office | 5 |
| Mayor's Office | 9 |
| Office of Behavioral Health | 1 |
| Office of Human Resources (Personnel) | 2 |
| Office of Housing & Community Dev. | 3 |
| Office of Innovation and Technology | 5 |
| Office of Property Assessment | 4 |
| Office of Supportive Housing | 2 |
| Parks and Recreation | 10 |
| Pensions & Retirement | 1 |
| Philadelphia Housing Authority | 1 |

| | |
|--|----|
| Philadelphia Housing Development Corp. | 2 |
| Philadelphia Parking Authority | 4 |
| Philadelphia Prisons | 5 |
| Police Department | 10 |
| Procurement Department | 1 |
| Public Property | 5 |
| Records Department | 2 |
| Redevelopment Authority | 1 |
| Register of Wills | 1 |
| Revenue Department | 13 |
| School District | 1 |
| Sheriff's Office | 4 |
| Streets Department | 21 |
| Water Department | 24 |
| Other | 9 |

Source of opened cases

| | |
|------------------------------------|----|
| Anonymous | 38 |
| Business Owner | 6 |
| City Council | 1 |
| City Department/Employee | 80 |
| Confidential | 5 |
| Contractor/Vendor | 3 |
| Government Agency | 3 |
| Integrity Officer | 11 |
| Resident | 68 |
| Other | 17 |

HOW WE WORK



Ann Pasquariello (left) receives the Integrity Award from Mayor Michael A. Nutter and Amy L. Kurland.

Most OIG cases start with a complaint lodged by a member of the public, an employee or a City official. Outside agencies – including the courts, Philadelphia Parking Authority, Philadelphia Gas Works and the City Commissioners – also frequently request our investigative assistance. Cases are assigned to investigators, who interview witnesses and review documents to determine whether City, state and federal regulations or laws have been broken. Where a violation has occurred, the OIG releases Reports of Investigation, which recommend corrective and disciplinary action to City departments, including termination. And where systemic problems are identified, the OIG issues Policy Recommendation Reports, which suggest changes to procedures to improve government efficiency and safeguard taxpayer dollars. We also work closely with law enforcement agencies when criminal violations are suspected.

Tipsters

A large portion of the hundreds of complaints the OIG investigates each year come from City employees who want government to operate with honesty and integrity. Hundreds more tips come from members of the public and elected officials. We also work to protect whistleblowers and anyone else who wishes to remain anonymous. Without these committed citizens, the OIG's work would not be as effective.

The OIG maintains a hotline to report fraud, corruption and misconduct. The OIG's website, <http://www.phila.gov/ig>, is a complete resource of our work, with important information about our investigations, policy reports, news and developments. The OIG site also allows users to anonymously report tips and provide information that may help prevent fraud, corruption or misconduct.

The Integrity Officer Program

In 35 City departments, sworn OIG-trained Integrity Officers work closely with the office to ensure the highest ethical standards in City operations. The officers also collaborate with OIG investigators, making them aware of problems and providing invaluable research, support and knowledge on the ground to aid the office in all its cases.

Integrity Officers are sworn-in each year at a ceremony in City Hall. At this event, Inspector General Kurland also announces and presents the Annual Inspector General Integrity Award to an individual who has made a special effort to work with the OIG to promote ethical government. Deputy Commissioner Indira Scott, now Chief of Staff at the Free Library, received the first award in 2012. John Davis, an Administrative Officer for the Water Department, received the award in 2013.

In 2014, the award was presented to Ann Pasquariello, Divisional Deputy City Solicitor for Code Enforcement. Ann was instrumental in the OIG's investigation into the City's processing of returned checks. After the OIG issued a Policy Recommendation Report that cited a need for stronger collection efforts, Ann worked with OIG personnel to aggressively pursue individuals and businesses who repeatedly submitted bad checks to the City. Her commitment to this task helped recover thousands of dollars in outstanding debt.

Collaboration Yields Results

The OIG works closely with law enforcement and other oversight and regulatory agencies in cases where state and federal laws or regulations have been broken. Building upon years of interoffice cooperation, the OIG has been a part of a joint anti-corruption task force since 2012 that includes the Philadelphia Police Department, the Federal Bureau of Investigation, the United States Attorney's Office and the Pennsylvania Attorney General's Office.

The OIG is also proud to have developed a strong working relationship with the Philadelphia District Attorney's Office. In 2014, this collaboration has proven to be extremely productive, resulting in several arrests and criminal convictions.

Within the City, we also work with the Board of Ethics on cases where the subject has violated a provision of the Ethics Code. OIG staff members sit on several committees and working groups that aim to address systemic problems that open the door to corruption and inefficiency. These working groups focus on many different substantive areas, including tax collection, contract compliance initiatives and various departmental issues.

Teamwork is essential to success, and each of these partnerships has yielded important victories in the battle against corruption.

Commitment to Professional Excellence

Our staff understands that the importance of our mission demands high-quality work. All OIG investigations undergo stringent review at many levels, and accuracy is paramount. Inside the OIG, we hold ourselves accountable for everything that we do, and that commitment requires the best team possible.

Training of OIG staff is essential to maintain the most highly skilled and experienced professionals in their fields. We are committed to investing resources for specialized training and certifications, which we believe are prerequisites for successful investigations. 80% of OIG investigators are certified by the National Association of Inspectors General (AIG), and we have one Certified Fraud Examiner, with several others in training. OIG staff regularly participate in continuing education programs through the AIG, the Association of Certified Fraud Examiners (ACFE), the Center for Advancement of Public Integrity (CAPI), the Philadelphia Bar Association and other professional development organizations.

COMMUNITY AWARENESS

Each and every Philadelphia resident has a role in building an effective, efficient and honest government. The OIG cannot accomplish its mission without active and open public participation from the members of our community. Because most of the OIG's cases originate from tips from members of the public and City employees, it is important to continue increasing awareness of the office – both to generate more investigative leads and to deter wrongdoing by showing that a vigilant watchdog is guarding the City.

The Importance of Education

In 2014, the OIG launched an educational campaign to raise awareness of the office. The program is funded with assets seized in the course of the office's investigations – not with taxpayer dollars. Now, City buildings have clearly visible posters describing how City employees and citizens can help further the mission of good government. We also proudly released a video commemorating the OIG's 30th anniversary in 2014, with comments from some of Philadelphia's most influential leaders in the field of ethics and integrity. The video is currently available on the main page of our website, <http://www.phila.gov/ig>.

The Philadelphia OIG is recognized by other organizations as a leading model upon which to structure their organizations. Inspector General Kurland continues to speak to numerous local organizations to further the cause of good government. She passed along the office's best practices to a newly formed IG office in Montreal, Canada and to foreign delegations from Belize, China, Indonesia, Iraq, Jordan, Macedonia, Tanzania, Venezuela and Yemen as part of a partnership with Citizen Diplomacy International of Philadelphia.

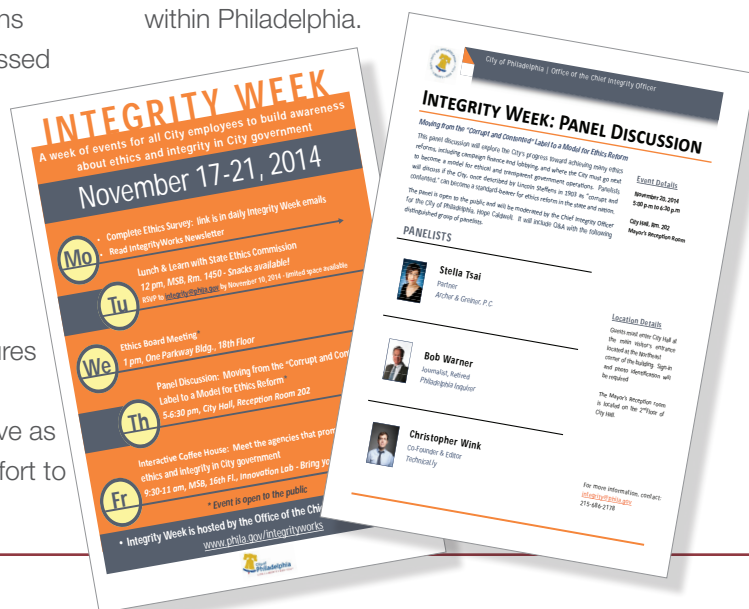
OIG staff continue to present anti-corruption lectures to City employees as part of a proactive effort to encourage people to report corruption and to serve as a deterrent. We are committed to this outreach effort to

ensure that City employees are aware of their obligation to report corruption and their right to be protected when doing so. In 2014, we spoke with hundreds of Licenses + Inspections and Streets Department employees who have contact with the public. In 2015, we will expand this effort to reach City employees in all City agencies as well as individuals who do business with the City.

Integrity Week 2014

In November, the OIG participated in Integrity Week, a new initiative of the Office of the Chief Integrity Officer designed to build awareness within City government. For five days, City employees attended a series of events focused on ethics, public integrity, fair contracting and other good government issues. Thanks to the Chief Integrity Officer's hard work, the week was a resounding success.

Inspector General Kurland participated in a panel discussion titled, "Moving from the 'Corrupt and Contented' Label to a Model for Ethics Reform," which included other government officials, journalists and leaders from the private sector. The Inspector General and other representatives from the OIG also participated in the "Interactive Coffee House," an open event where City employees could meet and dialogue with the various public integrity agencies within Philadelphia.





Amy L. Kurland
meets with delegates
from Indonesia.

ADMINISTRATIVE ACTIONS

Most OIG cases begin as investigations into violations of City rules and regulations. City employees are bound by a variety of City Charter rules, Civil Service and Administrative Board regulations and departmental policies – all of which are aimed at ensuring an honest and efficient workforce.

Where a report of a violation of these rules has been sustained against a City employee, the OIG issues a Report of Investigation that recommends disciplinary action – ranging from suspension to termination.

The Bent Building Inspector

The OIG investigated a Building Inspector from the Department of Licenses + Inspections who attempted to extort a Philadelphia homeowner who was having issues with a housing project. The Inspector asked for a cash payment in exchange for general contracting services and special treatment at L+I. The Inspector also suggested that if the homeowner hired him as a “handyman,” he could expedite the inspection and permitting processes. When OIG investigators

confronted the Inspector with the evidence uncovered, he immediately resigned.

Overbilling Without Oversight

Ron Galati got a sweet deal when he had former Fleet Management employee Bob Otterson make sure his body shop, American Auto, got the contract to do body work for City vehicles. When the District Attorney’s Office arrested them both, most thought the issue had been resolved; however, Fleet Management’s leadership team decided to look further and called the OIG.

The OIG and Fleet Management discovered that American Auto drastically overbilled the City of Philadelphia for parts and labor over the course of several years. How did this happen? No oversight. The manager at Fleet, who was directly responsible for the contract, never looked at any of the invoices that American Auto submitted. The employee blindly approved hundreds of transactions, costing the City thousands of dollars. Following the OIG investigation, the employee resigned.

ADMINISTRATIVE ACTIONS CONT'D

How About a City ATM card?

A group of City employees opened a bank account for their holiday party fund, and they got an ATM card to make withdrawals. When one employee went to make a withdrawal he noticed a balance of over one million dollars. Knowing the statement was incorrect — he reported it to his supervisor, who confiscated the card but never reported the incident. Upon investigation, the OIG discovered that the ATM card had access to several large City accounts, due to a bank error. The bank immediately deactivated the card and, thankfully, no funds were lost. The supervisor, whose failure left the City exposed to virtually unlimited theft, resigned in lieu of termination.

Protecting Our Children

City Recreation Centers provide a safe haven for children through after school activities and summer programs. Employees at these centers are responsible for the safety and well-being of the children under their

watch. An OIG investigation determined that a Parks & Recreation employee was wanted by the Special Victims Unit of the Philadelphia Police for inappropriate conduct with minors. The employee was arrested and immediately terminated from employment with the City Recreation Center.

Philadelphia Housing Development Corporation (PHDC)

Two employees at PHDC were terminated from employment for theft of time and misuse of City resources. One employee was using his City computer for a private tax preparer business. After OIG investigators analyzed the electronic evidence, which confirmed substantial misconduct, the employee was terminated from employment. A second investigation determined that a PHDC field Inspector was spending several hours a day as a general contractor while on the clock for the City. He also was terminated from employment following the OIG investigation.

CRIMINAL CASES

The OIG's partnerships with local and federal law enforcement agencies continue to grow. In 2014, these law enforcement partnerships proved invaluable, as OIG investigations led to the arrest or indictment of 21 individuals. This figure represents more than a 100% increase from the prior year.

SELF, Inc.

The OIG received a tip from a concerned citizen who reported possible mispending at a local tax-exempt non-profit, SELF, Inc. Working side-by-side with federal authorities, the joint FBI-OIG investigation uncovered serious theft at the non-profit, resulting in criminal charges. SELF was created to help the homeless. But according

to the federal charges, former non-profit employees Erica Brown and Nathaniel Robinson used corporate American Express credit cards for themselves. Brown racked up over \$198,000 worth of expenses for personal things like travel and lodging in the Caribbean, Orlando and Cape May; as well as meals and vehicle rentals. Robinson also used the company American Express card to pay over \$154,000 for personal travel, meals and lodging in the Dominican Republic.

In 2014, the U.S. Attorney's Office charged Brown and Robinson. The case marks a clear need for strong oversight of City non-profits, and the OIG is working to protect Philadelphians who are most in need.

CRIMINAL CASES CONT'D

Taken Tokens

The Department of Human Services (DHS) provides free SEPTA tokens to clients who cannot afford to travel to social work appointments, medical visits or jobs. After Social Work Manager Shamira Hawkins-Worthey requested and received 300 SEPTA tokens in several days, DHS administrators smelled something fishy and called the OIG.



After investigation and a forensic audit, OIG investigators determined that over nine months Hawkins-Worthey submitted at least 640 questionable requests for SEPTA tokens. Many of her requests referenced DHS cases that were closed or non-existent, and she forged her supervisors' signatures on 366 of the requests. Hawkins-Worthey stole 11,474 tokens worth \$17,784.20 and was paid \$6,372.34 in fraudulent overtime that she did not earn. In total, she stole \$24,156.54 from the City of Philadelphia.

The OIG worked closely with the Philadelphia Police and the District Attorney's Office, and Hawkins-Worthey was arrested and charged with multiple counts of various theft, forgery and tampering offenses. Hawkins-Worthey is no longer employed by DHS and is scheduled for trial in early 2015.

Airmatic, Inc.

After a joint FBI-OIG investigation and prosecution by the United States Attorney's Office, City contractor Airmatic, Inc. pleaded guilty to submitting false and fraudulent invoices to the City of Philadelphia.

The industrial supply company held several contracts to provide City departments a wide range of products, including pneumatic tools, specialized pumps and lawnmower and chainsaw parts. In hundreds of

transactions between January 2007 and August 2012, Airmatic sold the City unapproved products, for which the company had no contract to supply, at huge profit margins. Instead of reflecting the off-contract items that Airmatic actually provided, the company billed the City for things that were listed under the firm's existing City contracts. Airmatic also inflated the cost of the unapproved, off-contract items by an average of 87%.

The FBI-OIG investigation began when a City employee provided a tip to the Inspector General's office. At sentencing in December 2014, Airmatic was ordered to pay the City full restitution of \$556,633, as well as a \$350,000 federal fine and a \$400 special assessment. In addition, Airmatic will serve three years of probation and has accepted a three-year debarment from City contracts.

City Workers Are Not for Sale

Adolfo Delacruz, the manager of two pizza restaurants in Philadelphia, had a dilemma. He wanted his restaurants to make money, but he didn't want to keep them clean and safe or follow the rules. His solution was to bribe a City Health Inspector to look the other way. While this may have worked in the past, it doesn't anymore. The Health Department Inspector reported the attempted bribe to the OIG.

Partnering with the District Attorney's Office and the Department of Health, the OIG launched an undercover investigation. Posing as Health Inspectors, OIG investigators went to Delacruz's restaurant to conduct a routine health inspection. Delacruz twice offered to pay cash to undercover investigators, and he was subsequently arrested.

Not What It Was Cracked Up to Be – Chiropractor Pulled City's Leg

A joint FBI-OIG investigation established that Chiropractor Ethel Harvey fraudulently obtained free

CRIMINAL CASES CONT'D

access to a City database containing traffic accident and police incident reports. Harvey told the Records Department that she needed access to the database for an academic study she was conducting. But the investigation revealed that there was never any study, and Harvey was actually using the City's database to recruit patients for her chiropractic office.

Harvey viewed \$988,050 worth of traffic accident and police incident reports free of charge. The United States Attorney's Office prosecuted the matter, and in March 2014, Harvey pleaded guilty to mail fraud. She was sentenced to serve three years of probation and to pay the full \$988,050 in restitution to the City of Philadelphia.

No Bad Deed Goes Unpunished – Wanted: Michael Watson

Together with the Philadelphia Police Department, an OIG investigator discovered that City resident Michael Watson fraudulently conveyed two properties to himself. The properties, located at 6047 Locust Street and 2205 N. 33rd Street, were reportedly transferred to Watson via deeds signed by people who had died years earlier. Watson recorded the fraudulent deeds and also listed himself as a grandson of the deceased owners to avoid transfer taxes.

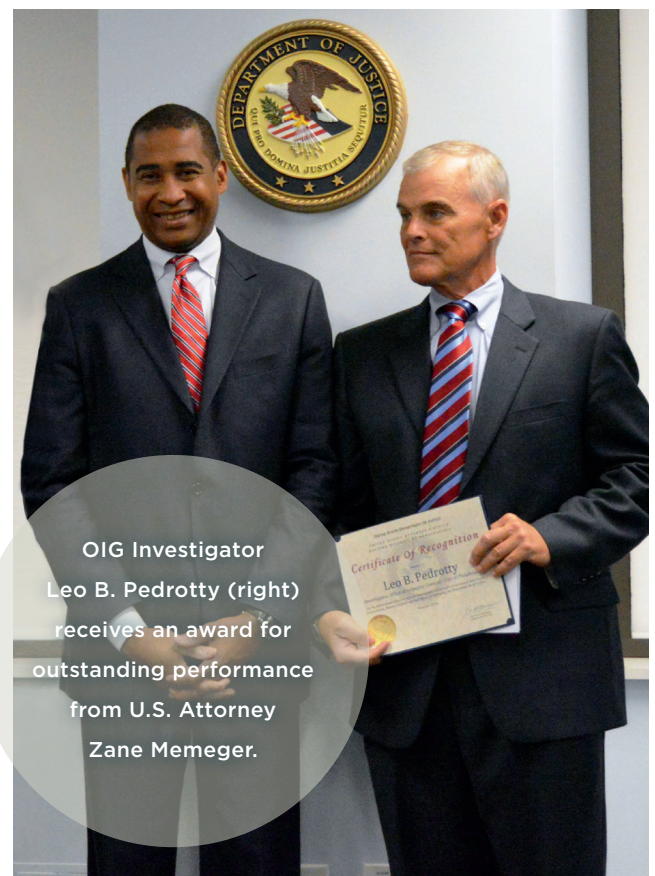
In June 2014, the District Attorney's Office issued a warrant for Watson's arrest for the theft of these two properties worth approximately \$85,000. Watson's current whereabouts are unknown. Anyone with information regarding these properties or Michael Watson, please contact the Philadelphia Police or the OIG at 215-686-1770.

Stolen Identities

In 2011, the Internal Revenue Service (IRS) Criminal Investigation Division and the United States Attorney's Office requested the assistance of the OIG in the

investigation of a tax fraud scheme conducted by tax preparers who allegedly used the identities of foster children to claim false dependents on clients' tax returns.

This year, the United States Attorney's Office charged former Catholic Social Services Social Worker Gebah Kamara and multiple tax preparers from a financial services firm for their involvement in this tax fraud and identity theft scheme. Allegedly, Kamara, who had access to confidential information as an agency social worker, sold the names, dates of birth and social security numbers of foster children to the tax preparers. The tax preparers allegedly used this information to claim dependent credits on their clients' tax returns. According to the indictment, this scheme resulted in wrongfully inflated tax refunds as high as \$9,000.



OIG Investigator
Leo B. Pedrotty (right)
receives an award for
outstanding performance
from U.S. Attorney
Zane Memeger.

CONTINUING COMPLIANCE

In 2011, the OIG formed a new Contract Compliance Unit to improve oversight of City contracts. The goal of the unit is to ensure a level playing field for potential City vendors and to protect against fraud and misconduct by businesses that hold City contracts. The unit also enforces the City's minority-owned business requirements and anti-discrimination policies concerning minority-, women- and disabled-owned business enterprises (M/W/DSBEs).

Our enforcement actions in this area have yielded valuable results. In 2014, the office reviewed more than \$100 million worth of funding and saved or recovered more than \$1.8 million – a figure that represents nearly 30% of the OIG's total savings and recovery for the year.

IN 2014 THE CONTRACT COMPLIANCE
UNIT SAVED OR RECOVERED MORE THAN

\$1.8 Million

But fines and financial restitution are only a few of the ways in which the OIG Contract Compliance Unit ensures fairness in the awarding and administration of City contracts. The office works with the Law Department to carefully tailor enforcement actions to the facts of each case and to pursue a multifaceted approach with different enforcement tools – including monetary recovery, the removal of contractors from various certified lists, debarment or suspension and corporate compliance agreements.

Airmatic, Inc. – Coming Full Circle

The joint FBI-OIG investigation into City contractor Airmatic, Inc. revealed a complex “apples for oranges” scheme that defrauded the City out of hundreds of

thousands of dollars. The criminal prosecution by the United States Attorney's Office, which included full restitution and a voluntary debarment, is just one piece of the enforcement solution.

Now, the OIG is working closely with the Office of the Chief Integrity Officer to design and deliver a comprehensive training program for City contract managers who deal with vendors on a daily basis. The procurement training is designed to enhance contract oversight and prevent fraudulent schemes like the one that Airmatic employed.

Payback Time

For several years, the City leased space from a private property owner. In 2014, the Department of Public Property asked the OIG to assist with a long-running dispute over the terms of the lease agreement. The OIG investigators worked with the property owner and several different City departments to investigate. In May, the OIG successfully negotiated and brokered a final agreement, which included a \$55,000 refund for the City. In addition to the monetary recovery, our investigation highlighted the importance of cooperation and communication among City departments to ensure this type of overpayment does not happen again.

Ensuring Insurance at PHDC

Through the Basic System Home Repair Program, PHDC contracts with general construction firms to perform essential projects for Philadelphia homeowners in need of assistance. In order to participate in PHDC's program, the construction firms are required to maintain an active workers' compensation insurance policy.

An OIG investigation determined that a Delaware-based construction company submitted a false insurance certificate to PHDC, when in reality, the company did not have insurance. At the OIG's recommendation, PHDC cancelled the contract and suspended the company for one year. And the

CONTINUING COMPLIANCE CONT'D



company voluntarily forfeited approximately \$10,000 to PHDC in order to cover fines and penalties.

The Misuse of Minority Venture Partners (MVP) Funds

In 2007, the owner of a local realty company obtained a \$60,000 loan from MVP. The loan was administered by Philadelphia Community Development Corporation (PCDC), a City-run non-profit organization. An OIG investigation established that although the debtor signed the relevant loan documents, he never made any payments on the loan.

For six years, the debtor refused to pay what was due and engaged the City in litigation. Finally, in August, a Common Pleas Judge ordered the debtor to repay the loan and granted the City's request for \$9,000

in attorney fees. The City will also ask the Common Pleas Court to impose the costs PCDC incurred in connection with the case.

Fraudulent Test Records

In order to protect the public health, the City requires that certain buildings have a certified plumber perform a backflow prevention test. Only licensed and qualified plumbers are authorized to perform these tests, and the Philadelphia Water Department (PWD) maintains an active list of available contractors.

An OIG investigation discovered that one of the certified plumbers falsified backflow testing records. In one instance, the company passed a property without ever visiting the site. As a result of the investigation, the Water Department removed the company from its list of authorized backflow testing plumbers.

PROTECTING THE CITY'S WORKFORCE

The OIG has always been committed to our City's dedicated workforce. When conducting an investigation, whether criminal or administrative, the OIG's work is guided by one central principle – each and every City employee deserves a safe and productive work environment. When City departments are free of misconduct and discrimination, we can all accomplish more for Philadelphia.

Exonerating the Innocent

By far, the majority of City employees are honest, forthright and committed to their jobs. But these honest individuals are rarely recognized. The OIG ensures that City employees do not abuse their positions of trust, but we also work tirelessly to protect those City employees who have served faithfully and with integrity. We spend countless hours scrutinizing every case, not just those that result in corrective action. The OIG recommends discipline only when an allegation has been fully validated by the evidence. Often, the allegations are unfounded, and hard-working City employees are exonerated.

For example, in 2014 two City supervisors were accused of serious misconduct, but thorough OIG investigations proved otherwise. One individual was accused of theft, but OIG investigators were able to clear the employee after video surveillance footage debunked the allegation. A second City official was alleged to have misappropriated official resources, but after an exhaustive canvassing, more than 20 eyewitness interviews and a careful review of cell phone records, emails and shift logs, OIG investigators determined that the complainant lacked credibility.

The OIG's pledge to protect the innocent from unfounded allegations also extends to City contractors accused of wrongdoing. In March, the OIG's Contract

Compliance Unit received a complaint about a potential contract fraud. Our investigators reviewed copious invoices, visited project sites and interviewed City staff as well as representatives of City-contracted companies. Ultimately, the extensive investigation found no evidence of fraud, and the contractor's reputation was unscathed.

The Island of the Dolls

Employees at the Philadelphia Water Department (PWD) reported that a toy doll was suspended by a noose-like cord from a tree outside the front entrance of a PWD facility. The episode was the product of a foolish and insensitive prank by a PWD employee who was trying to replicate a scene from a Mexican supernatural tourist attraction known as “La Isla de las Muñecas” (The Island of the Dolls). Although the employee's motivation may not have been discriminatory, he evoked a racially charged image that was outwardly offensive. As a result, the employee was suspended accordingly.

Fair Hiring Practices

After receiving two complaints about nepotistic hiring within City departments, OIG investigators worked with individuals in the departments and reviewed their hiring practices. At the conclusion of the investigation, the OIG assessed the fair-hiring protocols and recommended improvements to eliminate bias and the appearance of impropriety.

Background Checks

An honest and hardworking City workforce begins with a review of new hires. The OIG regularly performs background checks of potential employees for the Mayor's Office and for other high-level City positions.

EXPANDING OUR IMPACT

Fraud, corruption and misconduct can take many forms. And the OIG is constantly evaluating the need for new investigative focuses that will have an immediate and lasting impact on the City of Philadelphia. As we make progress, and as the OIG's role becomes more visible within the City, more and more agencies and departments recognize the value of our work. In 2014, the OIG joined forces with a wide variety of partners, both inside and outside the City of Philadelphia. We continue to work closely with City departments on new projects to promote integrity and prevent fraud, and our investigators are frequently called upon to provide expert assistance in agencies and offices outside of the City's Executive Branch.

Tax Compliance

After the Actual Value Initiative (AVI), which drastically changed the City's property tax system, some Philadelphia homeowners were hit hard. Thankfully, the Homestead Exemption offers a \$30,000 taxable value reduction on certain properties. In order to qualify, homeowners must certify that the home is their primary residence.

A joint OIG investigation with the Office of Property Assessment (OPA) discovered that some taxpayers were taking advantage of the exemption, claiming that investment and/or rental properties were primary residences. Working closely with a dedicated OPA team, the OIG created a program to combine resources and determine whether a property qualified for the Homestead Exemption. Although this project is still in its early stages, we have already secured over \$26,000 in property tax revenue.

Also in 2014, the OIG secured an additional \$148,000 in tax revenue following a Contract Compliance Unit

investigation. The investigation revealed that a tax-exempt organization sold a property to a private business that was not tax exempt. Because the transfer was never properly recorded, however, the new owner failed to pay the appropriate City taxes for several years. The OIG brought the issue to the attention of the OPA, and the new owner was held accountable.

Utility Theft

After receiving multiple complaints about property owners who have tampered with water meters, this year the OIG worked with the PWD to develop a process to prevent water theft throughout Philadelphia. When preliminary investigation into the usage history suggests tampering, the OIG asks the PWD to examine the meter. If the meter has, in fact, been altered, the PWD will secure the water meter, take appropriate billing measures and sometimes install a tamper-proof device. This OIG-PWD collaboration has already proven successful, resulting in several thousand dollars of savings.

Pension Disqualification Program

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 to identify and disqualify City employees convicted of felonies related to their jobs. Pension savings are also significant when an employee is separated from employment following an OIG investigation. So far, this collaborative effort has saved the City nearly \$20 million – approximately \$1.3 million this year.

Proud Partnership with the PPA

The Philadelphia Parking Authority (PPA) often requests the investigative assistance of the OIG, and in 2014 the PPA asked the OIG to investigate after they discovered irregularities during an internal audit. The audit revealed that a PPA lot attendant may have released impounded vehicles without requiring proof of ownership and insurance.

The OIG determined that many people paid cash to the lot attendant to release vehicles without the required proof of registration, insurance or ownership. When OIG investigators confronted the PPA employee with the evidence uncovered, he confessed and immediately resigned.

In another case, the OIG investigated a local man, Donald Stephens, whose vehicle was towed and impounded by the PPA. Stephens used his American Express credit card to pay \$3,000 in outstanding parking fines before the PPA released his vehicle. But the next day, Stephens stopped the credit card payment and disputed the charges. To support his dispute with the credit card company, Stephens sent a letter to American Express bearing a City of Philadelphia seal, purportedly signed by the “Deputy Director of Financial Adjudication.” The OIG investigation established that the letter was forged, and Philadelphia Police arrested Stephens in 2014. The District Attorney’s Office charged him with forgery and attempted theft.



REFORM AT L+I

Ever since the tragic building collapse in 2013, the Department of Licenses + Inspections (L+I) has been undergoing significant reform. In recent years, the department has seen several organizational changes, many new internal policies and procedures and a renewed emphasis on issues of public safety, honesty and integrity.



As always, change requires hard work. And change often presents a number of challenges, as evidenced by a steady and dramatic

increase in OIG complaints related to L+I over the past two years. Compared to 2012, the OIG's average yearly complaint volume regarding L+I has more than doubled. At this critical time within L+I, the OIG has devoted substantial resources to the department, working with senior officials and employees on a number of special projects. In 2014 and beyond, OIG personnel are committed to a strong, capable, efficient and effective Department of Licenses + Inspections.

Special Independent Advisory Commission

In October 2013, Mayor Nutter announced the Special Independent Advisory Commission to review and evaluate L+I's procedures, policies and operations in order to enhance public safety. The Commission was charged with examining the department's past and current operations, budget and organizational structure. The OIG was honored to devote time and resources to the project, as the Mayor appointed an OIG investigator to participate in the review and evaluation – a full-time job for the year.

On September 25, 2014, the Commission released its final report, with 37 recommendations for important enhancements at the department. Mayor Nutter also announced a newly created position of Chief Safety Officer and a new organizational placement of L+I under the Deputy Mayor for Public Safety. Mayor Nutter later created a task force to oversee the reform process

and implementation of the Commission's wide-ranging recommendations. The OIG continues to work closely with L+I staff on this important effort.

L+I's Compliance Unit

Over the second half of 2014, OIG investigators worked closely with L+I's newly formed Compliance Unit, a team that is dedicated to identifying and addressing public safety risks. The OIG has fielded many complaints from members of the public reporting unlicensed or uninsured contractors, unsafe construction or demolition practices and various forms of contractor fraud throughout the City. OIG investigators regularly perform background research and conduct investigations in concert with L+I's Compliance Unit, in an effort to assist the department in its mission. So far, the partnership has proven productive.

After a FOX TV report and several complaints from residents of Grays Ferry, the OIG investigated a local business that was stockpiling old tires and construction debris in an unsafe manner. The OIG verified the reports and also determined that the business owner was acting in violation of a valid Cease Operations Order from L+I inspectors. Acting on the information developed by the OIG, L+I personnel immediately arrived on the scene and found the owner in clear violation of the Cease Operations Order. The Philadelphia Police later arrested the business owner.

Unfortunately, the arrest failed to deter the stubborn business owner. Several months later, in July, local residents again called the OIG to report that the safety hazard was still ongoing. Once again, OIG investigators verified the information and dispatched an L+I inspector to the location. For the second time, the business owner was arrested and charged.

The OIG continues to work closely with L+I staff to evaluate complaints and recommend action. We recognize that there is still much to be done, but the OIG remains willing and able to assist L+I in any way possible in the interest of public safety and good government.

CASE UPDATES

In the Big House

Last year, the OIG reported that a multi-year joint investigation with the FBI into a property theft scheme led to the federal grand jury indictment of Eric Tubbs. On April 22, 2014, Tubbs pleaded guilty to wire and mail fraud, aggravated identity theft and money laundering. On July 30, 2014, he was sentenced to 70 months of incarceration followed by three years of supervised release and was ordered to pay \$271,146.42 in restitution.

Fraud at the Sheriff's Office

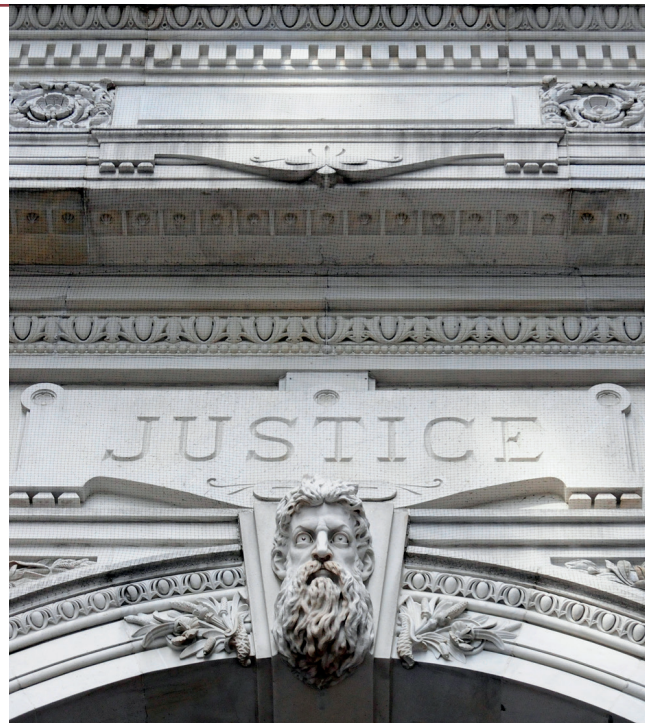
In December 2013, Gerard Joseph pleaded guilty to wire fraud in connection with a scheme to defraud the Sheriff's Office. On October 14, 2014, Joseph was sentenced to a year and a day of incarceration, three years supervised release, a special assessment of \$300 and ordered to pay restitution of \$111,940 to the Sheriff's Office. Federal investigators requested the OIG's assistance with this case, which was prosecuted by the U.S. Attorney's Office.

Bad Tax Credit

In 2013, after a joint IRS-OIG investigation, Darlene Johnson, a former City employee, pleaded guilty in connection with a scheme to defraud the Internal Revenue Service (IRS) with false claims of the First Time Home Buyer Credits. The IRS and the OIG continued the investigation and found that Wendy Van Dyke, another former City employee, provided confidential information that was used to prepare fraudulent tax returns. In 2014, Van Dyke pleaded guilty and was sentenced to four years of probation.

Bounced Checks

Last year, the OIG issued a Policy Recommendation Report that detailed a severe breakdown in the City's processing of returned checks. Many reforms have been implemented, and the OIG continues to work with the



Law and Revenue departments to recover uncollected debt. As a result of this effort, the City stepped-up collection efforts and revoked several licenses. So far, the City recovered \$363,000. Divisional Deputy City Solicitor Ann Pasquariello, winner of this year's OIG Integrity Award, was crucial in this effort.

Theft from a Rec Center

In January 2013, Celestine Marks was arrested and charged by the District Attorney's Office with theft from the local Recreation Advisory Council. This year, following a bench trial, Marks was convicted and sentenced to probation. The court also ordered Marks to pay restitution in the amount of \$3,148.27 and fines in the amount of \$1,627.

Pocket Cash Register

Last year we reported that a Revenue Department cashier stole \$616 from a City cash register. The theft was captured on video, and the cashier was terminated from City employment in 2013. In February 2014, he was arrested by Philadelphia Police, and the District Attorney's Office brought criminal charges. He was found guilty at trial and is awaiting sentencing.

CASE UPDATES CONT'D

Invisible Ink

A joint FBI-OIG investigation found that former Philadelphia Water Department employee Calvin Duncan ordered \$1.3 million worth of printer ink cartridges for the City, which he shipped to two co-conspirators, Derek and Danita Willis, in Arkansas for later resale. Duncan profited more than \$500,000 from the sales, and the U.S. Attorney's Office brought criminal charges against him and the Willises.

Duncan pleaded guilty in 2013. This year, Derek and Danita Willis both pleaded guilty to multiple counts of mail fraud, obstruction of justice and perjury. They are scheduled to be sentenced in 2015.

Neighborhood Renewal – PhillyRising

In 2011, the OIG discovered more than \$100,000 in unused Verizon bonus points in an unauthorized corporate rewards account. These bonus points have provided the OIG with a unique opportunity to turn a disgraceful situation into something that could directly improve the quality of life for our community. The Managing Director's Office turned the unused points into gift cards to help PhillyRising purchase supplies for community-revitalization projects. The gift cards support nearly all of PhillyRising's materials and supplies budget. In 2014, PhillyRising used over \$24,000 in gift cards to fund 38 grants, ranging from \$60 to \$2,000.



2015 & BEYOND

Looking ahead to 2015 and the next 30 years, the importance of a strong and independent OIG is critical. Our success is a direct result of Mayor Nutter's commitment to honesty, integrity and transparency within the City, and now we can proudly say that the OIG's work is improving public confidence in our government. But the OIG's work is never finished; there is always more to be accomplished.

As the Nutter Administration comes into its final year, there are many questions about the future of our City. Will honesty and integrity continue to be central themes? Will the next mayor continue the ethics reform that Mayor Nutter began? Will Philadelphia move forward or backward? The OIG is grateful for the public's strong backing, and we hope that the citizens of Philadelphia will continue to support a permanent and independent OIG.

But regardless of the political landscape, the OIG will push forward and continue investigating fraud, corruption and misconduct in any form. We will never stray from our mission. As we look ahead to 2015, there are several new OIG initiatives that we believe will have an immediate impact on our community.

Non-Profit Oversight

Several OIG investigations in 2014 involved tax-exempt non-profit entities. These charitable organizations are supposed to serve the underprivileged in our community, but they can also be sources of abuse and self-dealing.

The joint OIG-FBI investigation into SELF, Inc., a local non-profit, showed the potential for fraud and the need for strong oversight in the area. Rather than serving the homeless, two former employees of SELF chose to serve themselves,



as described in charges brought by the U.S. Attorney's Office. The individuals allegedly spent thousands of dollars on personal expenses, when that money could have changed the lives of many Philadelphia families who struggle just to survive.

Because the OIG believes in charitable giving with integrity, we plan to step-up investigative activity and enforcement in the area of non-profit oversight. In 2015, the OIG will partner with law enforcement and other authorities to give this issue the attention that it deserves. Working together with our partners at the state and federal levels, we are confident that 2015 will see some impactful OIG investigations regarding non-profit abuse.

The Philadelphia School District

In January 2015, the OIG, the Philadelphia School District and the School Reform Commission (SRC) joined forces through a cooperative Memorandum of Understanding. Recognizing the success of the City's OIG and the need for similar oversight at the District, the SRC requested guidance and support in building a comprehensive office of internal investigations.

According to the terms of the cooperative agreement, the OIG will lead the School District's Office of the Inspector General for six months, conducting investigations and offering recommendations on how to build an effective office.

The OIG is very proud to participate in this exciting project, because each and every Philadelphia student deserves the highest-quality education, free from fraud, misconduct and wrongdoing. We look forward to helping the School District accomplish its mission and better serve the deserving students of our City.





PHILADELPHIA OFFICE OF THE
INSPECTOR GENERAL

MICHAEL A. NUTTER, MAYOR
AMY L. KURLAND, INSPECTOR GENERAL