

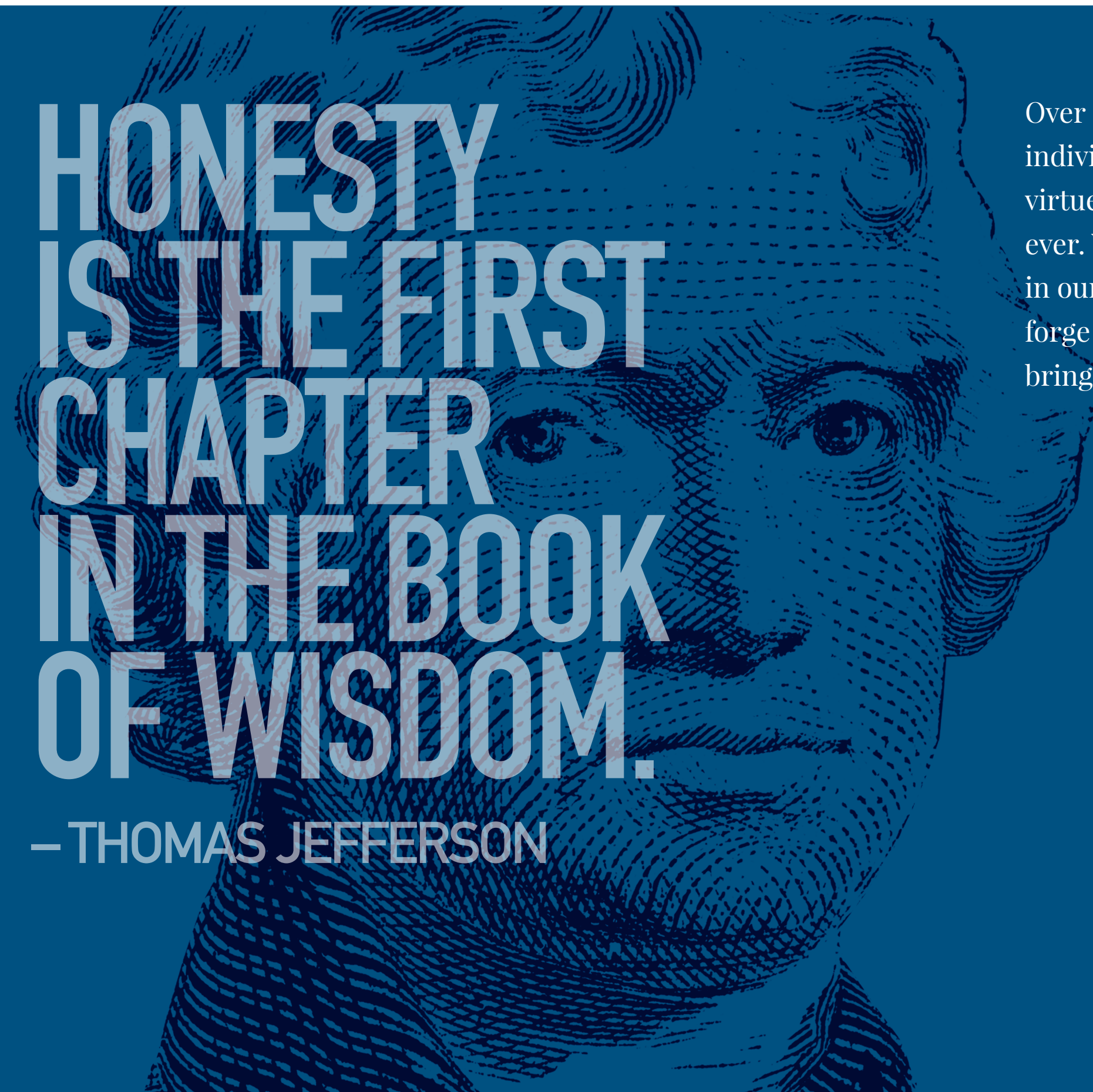


PHILADELPHIA OFFICE OF THE
INSPECTOR GENERAL
JAMES F. KENNEY, MAYOR
AMY L. KURLAND, INSPECTOR GENERAL

HONESTY IS THE BEST POLICY.

— BEN FRANKLIN

2017 ANNUAL REPORT



HONESTY IS THE FIRST CHAPTER IN THE BOOK OF WISDOM.

— THOMAS JEFFERSON

Over 200 years ago our nation was founded by individuals who believed in integrity, honesty, and virtue – guiding principles that are more relevant than ever. With the words of these great people still ringing in our ears, we at the Office of the Inspector General forge ahead – keeping their spirit and values alive, and bringing justice to every corner of our great city.

Table of Contents

Message from the Mayor	3
Message from the Inspector General	4
Power in Numbers	5
How We Work.....	7
Administrative Actions	9
Criminal Cases	11
Dollars & Sense	15
Supporting City Government	17
Outreach & Education	19
OIG at the School District	21

Note: This report was produced in accordance with Executive Order 7-14.

Message from the Mayor



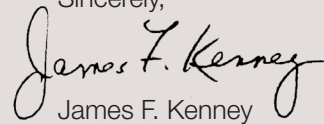
As I reflect on the progress we have made in 2017, I am reminded of our City's founders and their staunch commitment to integrity. Our devotion to our founding principles of honesty, transparency and justice are so deeply woven into the foundation of our city. From the tallest skyscrapers to the smallest alleyways— these values live on in the very streets once traveled by our founders.

This year, Philadelphia became the first major city in the country to pass a sweetened beverage tax to fund groundbreaking anti-poverty and education initiatives. Revenue accumulated from this tax has funded quality pre-k seats for 2,700 children; 11 Community Schools; and Rebuild—a \$500 million investment in our parks, recreation centers and libraries. Every neighborhood in Philadelphia shares in the progress and growth that we have seen throughout our city.

As we expand the quality and scope of our services across the city, however, we must also invest in oversight to ensure that our government operates openly, honestly and efficiently. Philadelphia taxpayers demand and deserve a city that is free of fraud and corruption. The Office of the Inspector General remains one of our most important assets, now more than ever, as we turn a historic corner in local government.

In 2017, the OIG continued its tradition of holding wrongdoers accountable, improving internal controls and saving valuable tax dollars to develop better and more efficient city services. Together, we expanded the Integrity Officer Program and added important protections for whistleblowers who are integral in bringing critical issues to light. And, through education, training and community outreach, the OIG continues to support our government's progress and priorities.

Philadelphia is greatly appreciative of the work that Inspector General Kurland and her team accomplished in 2017. The City remains dedicated to realizing the goals of the OIG to foster a stronger and more transparent government that truly honors the vision of our founders.

Sincerely,

James F. Kenney

Message from the Inspector General



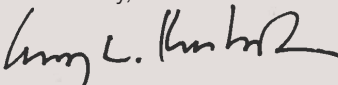
The principles of honesty and integrity that we at the Office of the Inspector General value are rooted in the beliefs held by our founders—and every day, we work to ensure that our City is more ethical, honest and accountable.

In 2017, our results demonstrated the lasting importance of our work. OIG investigations resulted in savings and recovery of more than \$7.5 million – over 4.5 times the office's budget. Our efforts produced 11 criminal enforcement actions and 37 instances of employment discipline, demonstrating that misconduct will not be tolerated no matter the scale. We helped save the ever-stressed pension fund over \$3 million. Our Contract Compliance Unit also reviewed more than \$200 million in funding and facilitated settlement and compliance agreements for City contractors who skirted the rules.

These statistics, however, don't measure the culture change that is happening. The vast majority of honest and hardworking City employees have shown us time and time again their commitment to honest public service. We are seeing a steady increase in complaints by City employees, and more than ever, our inspectors are reporting attempts of bribery— showing that City employees are not for sale.

In an honest government, the message comes from the top. Building on these improvements, Mayor Kenney signed Executive Order 9-17, protecting whistleblowers who are courageous enough to come forward and report misconduct. Our Integrity Officer Program expanded to more than 70 City departments, and the OIG continues to play an integral role in the safeguarding of funds from the City's pioneering sweetened beverage tax.

We remain committed to our founders' belief that Philadelphia is a great city, because its residents actively strive to make it a better place through steady and deliberate change. Each of us is responsible for protecting and nurturing the integrity of our City as we continue to make progress in 2018 and beyond.

Sincerely,

Amy L. Kurland

Power in Numbers

2017 Case Results

- 17 Terminations
- 20 Suspensions / Demotions
- 12 Recoveries
- 7 Restitution Orders
- 6 Fines/Assessments
- 11 Criminal Enforcement Actions
- 3 Policy Recommendations
- 17 Background Investigations
- 2 Compliance Agreements
- 2 Pension Disqualifications

OVER
\$7M
Total Savings and Recovery

FINANCIAL SAVINGS

Suspension	\$40,803.59
Demotion/Salary Reduction (2-yr projection)	\$10,502.72
Termination (2-yr projection)	\$1,846,624.00
PELP ¹	\$2,095.81
Pension Savings ²	\$3,085,701.01
Total Savings	\$4,985,727.13

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.*

² *Pension savings represent disqualification due to criminal conviction or withdrawal of contributions due to pending arrest or indictment.*

FINANCIAL RECOVERY

Recovery	\$1,184,046.62
Restitution	\$1,225,165.48
Fines	\$201,467.57
Total Recovery	\$2,610,679.67

Total Savings & Recovery . . . \$7,596,406.80

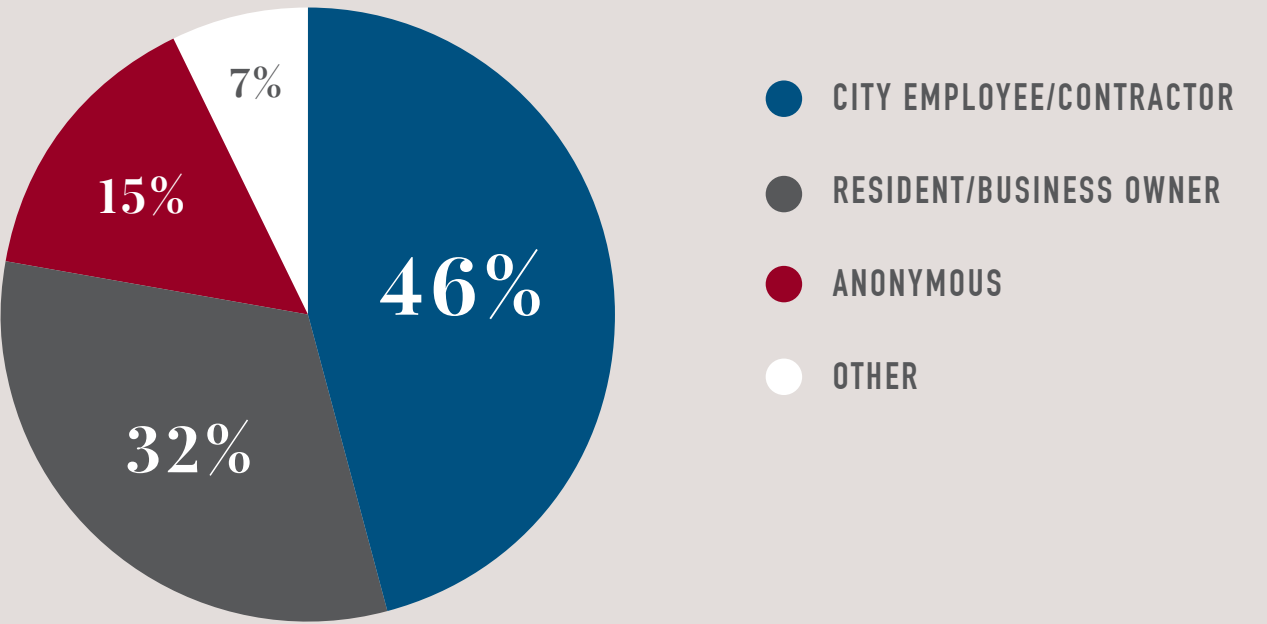
CONTRACT REVIEW

Approximate Amount of
Contracts Reviewed in 2017 \$222,723,725.72

Cases Opened by Department

Board of Revision of Taxes	1	Other	12
City Planning Commission	1	Parks and Recreation	8
City Treasurer’s Office	3	Philadelphia Prisons	8
Commerce Department	6	Police Department	6
Department of Human Services	11	Procurement Department	2
Department of Licenses & Inspections	20	Public Property	4
Fire Department	4	Records Department	1
Fleet Management	1	Redevelopment Authority	1
Free Library	2	Revenue Department	12
Health Department	11	Streets Department	18
Office of Innovation and Technology	3	Water Department	16
Office of Property Assessment	4		

Source of OIG Complaints



HOW WE WORK

Most OIG cases start with a complaint submitted by a member of the public, an employee or a City official. Cases are assigned to investigators, who conduct background research, interview witnesses and review documents to determine whether any regulations or laws have been broken. Where violations have occurred, the OIG releases Reports of Investigation, recommending corrective and disciplinary action to City departments, including termination where appropriate. And where systemic problems are identified, the OIG issues Policy Recommendation Reports to suggest changes to procedures that improve government efficiency and safeguard taxpayer dollars. We also work closely with law enforcement agencies when criminal violations are suspected.

The Courage to Report - Protecting our Whistleblowers

Most of the complaints the OIG investigates each year come from City employees who want their departments to operate with honesty and integrity. Many more come from members of the public, as well as elected officials who take time to report their concerns. Our work depends on the courage of these committed citizens.

In November 2017, Mayor Kenney issued Executive Order 9-17, a comprehensive commitment to protect City employees and contractors who demonstrate the courage to identify serious wrongdoing within the City. The order expressly prohibits retaliation against those who have filed or participated in complaints about City government. Employees and contractors are also prohibited from obstructing the complaint and investigative processes.

Numbers show that City employees are becoming increasingly invested in their government and more comfortable speaking up. In 2017, the OIG recorded more than seven times the number of complaints from City employees, as compared to ten years prior.



Mayor Kenney signs EO 9-17

But, we still have work to do, and Executive Order 9-17 represents an important step toward fostering a more supportive environment for champions of truth. Everyone has a right to bring issues forward, and we must make every effort to encourage and support this right through staunch protections for whistleblowers.



COMPLAINTS FROM CITY EMPLOYEES

Anyone can submit an anonymous tip:

Through the OIG’s website, www.phila.gov/ig, by phone at **215-686-1770**, or by mail to 601 Walnut Street, Suite 300 East, Philadelphia, PA, 19106.

Integrity Officer Program Expansion

Integrity Officers serve as the first line of defense against fraud, corruption, abuse, and misconduct. Most City departments have one or more OIG-trained Integrity Officers who work closely with the OIG, notifying the office of any problems and providing invaluable research, support and knowledge on the ground to aid the office in all its cases. All of the Integrity Officers were hand-picked by the Inspector General based on experience and a proven track record of ethical service.

In 2017, the Kenney Administration and the OIG made significant enhancements to the Integrity Officer Program in furtherance of honest government. The number of departments with Integrity Officers doubled – now, 70 departments have integral points of contact for integrity-related issues. Integrity Officer responsibilities were also increased to assist the Chief Integrity Officer, in addition to the OIG, in her mission of guidance and prevention.

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 Joan Markman Award for Integrity to an individual who has made a special effort to work with the OIG to promote ethical government. The award, previously named the Inspector General Integrity Award, honors the memory of Joan Markman, the City’s first Chief Integrity Officer who passed away in 2015.

At the annual ceremony in 2017, Inspector General Kurland announced Jim White, former Deputy Chief Information Officer and Chief Operating Officer at the Office of Innovation and Technology, as the recipient of the Joan Markman Award for Integrity. Jim White worked for the City of Philadelphia for 22 years, and he collaborated with the OIG on several widespread investigations. The 2018 Joan Markman Award winner will be honored at the Integrity Officer Swearing-in Ceremony in March.



Integrity Officer swearing-in ceremony

Commitment to Professional Excellence

Our staff understands that the importance of the OIG’s mission demands high-quality work and a team of skilled and experienced professionals. OIG employees are encouraged to attend specialized trainings, certification courses, and other outside professional development resources. Almost all of the OIG’s investigators are certified by the national Association of Inspectors General (AIG), and six are Certified Fraud Examiners. OIG staff regularly participate in continuing education programs through the AIG, the Association of Certified Fraud Examiners (ACFE), the Center for the Advancement of Public Integrity (CAPI), the Philadelphia Bar Association, the Society of Corporate Compliance and Ethics (SCCE) and other professional development organizations.



2017 Joan Markman Award – Jim White receives award

Collaboration Yields Results

As the OIG expands its reach, the office continues to forge strong partnerships with oversight and law enforcement agencies at all levels of government. A founding member of the Philadelphia anti-corruption task force, the OIG works closely with the Philadelphia Police Department, the Philadelphia District Attorney’s Office, the Federal Bureau of Investigation, the United States Attorney’s Office and the Pennsylvania Office of the Attorney General on significant criminal fraud and corruption cases. Teamwork is essential to success, and each of these partnerships has yielded important victories in the battle against corruption.

In 2017, we also saw a strengthening partnership with the City’s Board of Ethics, working together to address allegations of nepotism and conflict of interest. One joint investigation established that a Department of Public Health employee participated in her son’s hiring and subsequent extension of employment, simultaneously violating Executive Order 1-11 and the City’s Ethics Code. The employee admitted to wrongdoing, paid a penalty and received formal instruction. The OIG also recommended department-wide dissemination of Executive Order 1-11, which bans nepotism, and specific training on the scope of the City’s restriction. The OIG continues to partner with the BOE to address issues that overlap both agencies, while also providing guidance to departments and training opportunities for City employees.



ADMINISTRATIVE ACTIONS

City employees are bound by a variety of City Charter provisions, Civil Service and Administrative Board regulations and departmental policies – all of which are aimed at ensuring an honest and efficient workforce. If a violation of these rules has been sustained against a City employee, the OIG issues a Report of Investigation that recommends disciplinary action up to and including termination from employment.

Trash for Cash

In 2017, the OIG worked in close collaboration with the Streets Department to address trash collectors who abused their official authority by collecting unauthorized commercial trash, often outside of their assigned sectors and sometimes in exchange for cash. Last year, OIG investigations in this area resulted in 10 instances of employment discipline for Streets Department trash

collectors. Given this upward trend and the Streets Department’s commitment to the issue, the OIG has been working with the department to implement proactive internal controls that better identify and prevent wrongdoing.



Immigration Impersonation

After receiving a threatening and discriminatory email, a City employee reported the matter to the OIG and her department leadership. The email, which purported to be from a federal immigration agency, was critical of the employee’s religious practice and threatened her “immigration status.” Upon investigation, and with OIT’s technical support, the OIG discovered that a City contractor sent the email, in a poor attempt to joke with a coworker. The contractor received significant discipline and was required to undergo additional sensitivity training.

Location, Location... Violation

While performing her job, a City official came into contact with a resident who owned several properties in Philadelphia. Shortly after they finished discussing City business, which involved construction code violations at the resident’s properties, the City official offered to purchase the resident’s real estate. The resident immediately and rightly reported the matter. The OIG investigation substantiated misconduct on the City official’s part; she was disciplined and required to undergo additional ethics training as a result.

Continued Mail-Feasance

Last year, the OIG investigated the City’s outgoing Mail Center, a subdivision of the Revenue Department. The allegations were wide-ranging, and the OIG investigation substantiated a pattern of misconduct within the Mail Center; including sleeping on-the-job and evidence of overtime abuse. In 2017, five Mail Center employees faced discipline for violations of City policy and work rules. Most importantly, however, the Mail Center has since made significant improvements with new supervision and better quality-control. Now, City mailings are far more prompt, efficient and secure – and the OIG is proud to have contributed to the change.

Secondary Employment, Theft-of-Time & Leave Abuse

City employees serve the public first and foremost. Only in select circumstances, with prior approval and where the work does not conflict with official duties, may City employees work second jobs. During his first year in office, Mayor Kenney updated and reinforced these long-standing rules, and the OIG has been committed to enforcement. In 2017, two members of the City workforce were released for violating this policy, including one who reported to her private job while in City-uniform.

The OIG also remains committed to holding employees accountable for misrepresenting work hours and/or abusing paid leave regulations. In 2017, eight employees received discipline after OIG investigations substantiated that they made active misrepresentations on official timesheets or leave request slips.



Residency Violations

Even as the OIG broadens its reach and expands into new areas of investigation, we continue to aggressively pursue allegations that City employees are violating the residency requirement set forth in the Home Rule Charter. In 2017, five employees were removed from City employment in connection with residency investigations. In the interest of City-wide integrity and morale, these cases continue to send a strong message that all employees, no matter what level of responsibility, must follow the rules.

CRIMINAL CASES

The OIG has continued to work closely with local and federal law enforcement agencies – including the Federal Bureau of Investigation (FBI), United States Attorney’s Office and District Attorney’s Office – in cases where investigators suspect that state or federal criminal statutes have been broken. This year, the OIG saw several criminal enforcement actions come to fruition, resulting in over \$1 million in restitution for the City of Philadelphia and for others who have been financially harmed. The OIG’s criminal work has made it clear that all who put their private gain before the public interest will be held accountable.

Renee Tartaglione & Juniata Community Mental Health

In June 2017, following a joint OIG-FBI investigation and subsequent trial in the Eastern District of PA, Renee Tartaglione was found guilty of 53 counts of conspiracy, theft, fraud and federal income tax violations. A jury found that Tartaglione, the former President of Juniata Community Mental Health Clinic, defrauded and stole funds from the JCMHC non-profit through a variety of schemes, including the inflated lease between JCMHC and another Tartaglione-controlled entity. The jury also found that Tartaglione

created false documents to conceal these transactions and falsified tax returns for several years. At her criminal sentencing in early 2018, final loss figures will be determined, but preliminary estimates show that Tartaglione’s actions cost the non-profit around \$2 million.

Northern Children’s Services

In 2017, a joint OIG-FBI investigation resulted in the conviction and sentencing of Sonja McQuillar, former Director of Health and Information at Northern Children’s Services – a nonprofit organization that provides mental and behavioral health treatment to children. Over a 12-year span, McQuillar embezzled approximately \$600,000 from NCS by creating consulting invoices in the names of relatives and friends who were never consultants for NCS, and for individuals who were consultants for NCS, but for work they did not perform. After creating bogus invoices, McQuillar then forged the signatures of the alleged consultants in order to cash the checks. Prosecuted by the U.S. Attorney’s Office, McQuillar pleaded guilty to federal charges in February 2017. Then, in June 2017, she was sentenced to serve 30 months in prison and repay the full \$600,000 in restitution.

False Deeds

The OIG closely collaborated with the FBI, the Department of Homeland Security, and the U.S. Secret Service to investigate a series of false and fraudulent deeds for various residential properties in Philadelphia. Following prosecution by the U.S. Attorney’s Office, Roxanne Mason and Kenneth Hampton were convicted of wire fraud and aggravated identity theft for their scheme to locate houses, prepare and file false deeds, reside in the properties and then eventually sell the properties for a profit. In 2017, Mason and Hampton were sentenced to serve significant prison time and repay over \$170,000 in restitution.

Hobbs Act Extortion

In 2017, Kenneth Gassman, former L+I employee, was sentenced to a nine-month prison term, following his earlier conviction for Hobbs Act Extortion in the Eastern District of PA. After a private homeowner refused Gassman’s offers to purchase a Philadelphia property, Gassman attempted to compel the sale by causing L+I Inspectors to visit the property and issue violations, including a bogus violation for operating an unlicensed auto repair business. The OIG investigated the case jointly with the FBI, and the U.S. Attorney’s Office prosecuted the matter.

Special Recognition by the Department of Justice

At an awards ceremony in November 2017, the U.S. Attorney’s Office for the Eastern District of PA recognized the outstanding work of the Philadelphia OIG. Five investigators and the First Deputy Inspector General received awards for distinguished performance in criminal investigations. The awards acknowledged individual excellence in support of specific cases, but also recognized the OIG’s long-standing partnership with the Department of Justice. Since 2008, the partnership has proven immensely productive, yielding over 40 criminal convictions and millions of dollars in restitution for victims across the City of Philadelphia.

THE FIRST DUTY
OF SOCIETY
IS JUSTICE.

- ALEXANDER HAMILTON



OIG staff at DOJ awards ceremony

TRUTH WILL
ULTIMATELY
PREVAIL
WHERE THERE
IS PAINS TO
BRING IT
TO LIGHT.
— GEORGE WASHINGTON

Woman charged in school fraud case

She misrepresented herself as the tutor of a relative yet taught nothing, charges say.

By Kristen A. Graham
STAFF WRITER
A woman who allegedly concocted an elaborate scheme to bilk the Philadelphia School District out of more than \$90,000 has been hit with feder-

Former Philly nonprofit director sentenced for embezzling funds for children

Director of Northern Children's Services wrote fake invoices to steal more than

By Hayden Mitman
Published : June 07, 2017 | Updated : June 07, 2017



By Jeremy Roebuck
STAFF WRITER

A former manager at a Northwest Philadelphia mental-health treatment facility has admitted that she embezzled more than \$600,000 in public funds meant to help children suffering from trauma and behavioral disorders.

Sonja McQuillar, the former director of health and information management at Northern Children's Services, created phony invoices to pay family members, friends, and agency contractors for work they did not perform, federal prosecutors said.

In a hearing Monday before

Feds: Fake tutor defrauded Philly schools of nearly \$100K

Updated: DECEMBER 11, 2017 — 6:05 PM EST



By Joseph A. Slobodzian
STAFF WRITER

AFTER 11 DAYS of testimony culminating in IRS agents poring over years of canceled checks, deeds, leases, and tax returns, federal prosecutors Tuesday rested their fraud case against Renee Tartaglione.

For the 61-year-old Tartaglione, scion of one of Philadelphia's most storied political families, however, the moment of truth is still several days away.

After defense attorney William DeStefano described problems lining up witnesses, U.S. District Judge Joel H. Slomsky agreed to pause and to start the defense case Friday.

DeStefano said after Tuesday's trial session that he and Tartaglione had not decided whether she would testify in her defense.

Tartaglione is charged with siphoning tens of thousands of dollars from the Junata Community Mental Health Clinic through a pattern of self-dealing and hiding income for tax purposes.

Tartaglione and her husband, Carlos

Matos, founded the clinic in 2002. Five years later, prosecutors allege, she bought the building that housed the clinic's headquarters at 2254 N. Third St., in North Philadelphia, and raised the rent to more than five times the \$4,800 the clinic was paying.

The nonprofit clinic moved again in 2012 to another building Tartaglione owned about three blocks north, at 2637 N. Fifth St., in Fairhill, where she began charging rent as high as \$75,000 a month.

Real estate and commercial rental experts called to testify by the prosecutors, Assistant U.S. Attorney Bea Witalosen

and Peter N. Halpern, a trial lawyer from the Justice Department's public integrity section in Washington, told the federal jury that the rents Tartaglione charged far exceeded the Junata neighborhood's fair market values.

DeStefano has argued that Tartaglione is the victim of members of a rival political family, one of whom, Sandy Acosta, was the clinic's administrator.

Sandy Acosta and her daughter, former State Rep. Leslie Acosta, a Democrat who represented the Junata neighborhood, both pleaded guilty and testified against Tartaglione for the government.

Leslie Acosta, 45, testified that her mother had recruited her to participate in a scheme from 2007 to 2012 in which they received clinic checks for no work.

CS jacobozian@phillynews.com



Tartaglione

Prosecutors rest their case against Renee Tartaglione, accused of fraud

Inspector general: City losing on wrongful tax breaks

It said the Revenue Department gave homestead exemptions to unqualified properties.

By Claudia Vargas
STAFF WRITER

The city's Office of Inspector General has found that the Revenue Department gave tax discounts to several hundred properties that likely did not qualify. In a report released Wednesday, the office said the city might have lost nearly \$683,000 in tax revenue from 558 properties that each received a \$30,000 reduction in taxable property value through the homestead exemption program. The properties identified had active rental licenses, were vacant, or were used for something other than a primary residence, all of which would have disqualified the properties from a homestead exemption, the office found.

"As a result, the city is losing significant tax revenue," the report said. About 214,000 properties have a homestead exemption.

Inspector General Amy Kurland said the report describes the finding on loss of revenue as likely only because property owners can challenge a homestead exemption ruling.

"We feel pretty confident about our investigation," Kurland said Wednesday. Revenue Commissioner Frank Breslin said the Revenue Department was conducting its own audit of a sample of 2,000 properties, some of which are different from the ones the Inspector General's Office examined.

"The review identified properties that may have been incorrectly awarded. The determination wasn't made," Breslin said. "They didn't dig any deeper. It's not necessarily incorrect."

So far, the Revenue Department has reviewed 111 properties with homestead exemptions and found 28 to have them improperly. The department has begun the process of recouping \$27,287 in lost revenue, plus interest and 10 percent penalty fees, from those properties, Breslin said.

The homestead exemption was created in 2014 after the Actual Value Initiative (AVI) program reassessed all of the properties in the city. AVI led to some significant property-tax increases, so the homestead exemption was offered as relief by reducing the taxable value of homeowners' primary residences by up to \$30,000, which usually equals a \$400 tax savings each year.

The requirements for the exemption are simply for the property to be owner-occupied and the owner's primary residence. Breslin said the application was kept simple and "straightforward" to encourage people to apply.

"This method of administering the homestead exemption resulted in a very liberal application of the \$30,000 reduction in taxable property values," the inspector general's report said. Kurland said her office is recommending that the Revenue Department ask applicants to show documentation such as a driver's license that shows the primary residence.

"All we were trying to do was show there are holes in the programs," Kurland said. "Even if you are looking at 2 percent error rate, that's \$1.6 million that the city possibly is losing."

Breslin said the city would not change its application process. "Asking for more documentation will simply reduce enrollment," Breslin said. "These relief programs are really important."

Instead, the department will step up post-enrollment auditing," Breslin said.

"We have great confidence in our compliance unit and our enforcement," he said.

CVargas@phillynews.com
610-454-4530
@cvg-vargas

DOLLARS & SENSE



City taxpayers deserve the best; every collected dollar should be secured and safeguarded. The costs of fraud, corruption and misconduct are squarely borne by the taxpayers. So, the OIG's mission includes a mandate to ensure that our taxes are spent in a responsible, efficient and transparent manner. The money that OIG investigations save goes directly back into essential and honest City services. And, that's why the OIG has proven to be one of the most prudent investments in the City – in 2017, we saved almost 5 times the OIG's annual budget.

Continuing Compliance

The OIG's Contract Compliance Unit works to ensure a level playing field for City vendors and protect the integrity of the City's contracting process – from bid to award to performance. The Unit also enforces the City's anti-discrimination policies in support of minority-, women-, and disabled-owned business enterprises (M/W/DSBE).

In 2017, the Contract Compliance Unit reviewed more than \$220 million worth of funding and saved or recovered over \$1 million for the City. But financial recovery is only one way in which the OIG's Unit ensures fairness in the awarding and administration of City contracts. The office works closely with the Law Department to tailor enforcement actions to the facts of each case and to pursue a multifaceted solution – including monetary recovery, removal from various certified lists, debarment, suspension and corporate compliance agreements.

Working with the Revenue Department in 2017, the OIG investigated a contractor who was tasked with translating City-related bills for disabled customers. The investigation identified significant discrepancies in these services, as many customers reported never receiving a translated bill. The OIG pursued the company and secured approximately \$50,000 in compensation for Revenue, in addition to a corporate compliance agreement to enhance internal controls.

In another 2017 Contract Compliance case, a contractor at the Philadelphia International Airport hired an M/W/DSBE to perform electrical inspections in connection with a runway project. This subcontractor, in turn, wholly outsourced the work and billed for the services as if the company's own employee performed the inspections, resulting in more than \$200,000 of overbilling. After OIG investigation, and with PHL's support, the City contractor re-paid the full loss and entered into a corporate compliance agreement to protect against future wrongdoing.

Not Just Criminal

In connection with the OIG investigation into the Northern Children's Services non-profit organization, which resulted in the conviction of the former director and more than \$600,000 in restitution, Community Behavioral Health took a closer look at the non-profit's mental and behavioral health services. CBH's examination noted significant billing discrepancies, in addition to the criminal embezzlement on the part of the former director. Over time, Northern Children's Services will repay over \$830,000 to CBH as a result.

Removed... But Not Resolved

OIG investigations into administrative misconduct most commonly result in employment discipline of some kind, up to and including removal from City employment as a consequence of demonstrated wrongdoing. But, eliminating a bad apple is only part of the OIG's resolution. Often, employment misconduct, like theft-of-time, causes the City a significant loss in

unwarranted compensation. In these cases, the OIG vigorously pursues repayment from the dismissed employee, through deductions in terminal leave, pension withdrawals or potential civil claims. In 2017, two employees were discharged from employment following OIG investigations that substantiated theft-of-time allegations – and, these employees also repaid thousands after withdrawing pension contributions.

Disabled Deception

The OIG has been working closely with the Philadelphia Parking Authority to investigate a series of counterfeit Disabled Parking Permits. The long-term investigation remains ongoing, but the OIG has offered significant evidence in support of PPA-issued parking violations, resulting in over \$24,000 in fines.



Utility Theft

The OIG continues to work with the PWD to address 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. In 2017, this OIG-PWD collaboration resulted in several thousand dollars of savings.

ALWAYS STAND ON PRINCIPLE... EVEN IF YOU STAND ALONE.

-JOHN ADAMS

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. The OIG has a long-standing collaboration with the Law Department and the Board of Pensions to identify and disqualify City employees convicted of felonies related to their jobs. In 2017, this effort saved millions for the City's pension system.

Deeds & Registry Scam

The OIG continues to support the Commonwealth consumer protection lawsuit against Wanda Rogers, who allegedly scammed new homeowners into paying for copies of their deeds. Rogers allegedly sent misleading letters to Philadelphia residents, using the official-sounding name "Philadelphia Deeds and Registry Office." These letters, which were wholly unaffiliated with any government office of the City or the Commonwealth, solicited payment for copies of recently-filed deeds. The civil lawsuit seeks full restitution for all consumers who paid Rogers and may require her to pay significant civil penalties under the state's Consumer Protection Law.

OUTREACH & EDUCATION

Each and every Philadelphia resident, employee and contractor has a role in building an effective, efficient and honest government. The OIG cannot accomplish its mission without active and open participation from members of our community and our workforce. 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.

Integrity Week 2017

In November 2017, the OIG participated in Integrity Week, an ongoing initiative with 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.

Inspector General Kurland and other representatives from the OIG presented during the “Interactive Coffee House,” an open event where City employees could learn more about recent integrity-related developments, like Mayor Kenney’s new Executive Order on whistleblower protection. During Integrity Week, the Inspector General and Chief Integrity Officer also held an Integrity Officers Meeting, announcing the expansion of the IO program to 70 different City offices and departments.



Interactive Coffeehouse

City-Wide Training

Prevention begins with education, and in 2017 the OIG continued to expand its City-wide educational programming. Now, every new City employee participates in OIG training as part of the QuickStart Philly onboarding process. Inspector General Kurland and her team teach new employees about the importance of reporting wrongdoing in the interest of upright public service. OIG staff also make regular presentations for Human Resources Managers and executive-level City officials.

Within specific departments, OIG staff regularly 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. The OIG’s “Bids Gone Bad” program continues to teach participants, City-wide, about how to spot warning signs of fraud, bribery and conflicts of interest in the contracting process. And, in 2017, we spoke with hundreds of Licenses + Inspections and Streets Department employees who have regular contact with the public.

In support of Mayor Kenney’s Executive Order 9-17, protecting whistleblowers, the OIG and CIO also initiated an outreach and education series about the scope of the Order’s coverage and reporting requirements. Training has also been a significant part of the OIG’s work to support the Kenney Administration’s Rebuild and Pre-K programs.

Giving Back to Our City

Starting in 2012, the OIG began a tradition of community service – after a landmark investigation discovered more than \$100,000 in unused Verizon bonus points that later funded PhillyRising’s community revitalization efforts. In 2017, all OIG staff members volunteered their time at Mitchell Elementary School in Southwest Philadelphia – where we helped to clean and paint the school hallways just prior to the students’ return for the 2017-2018 academic year.

Community Behavioral Health

This year also saw a strengthened partnership with the City’s Department of Behavioral Health and Intellectual Disability Services and associated non-profit organization, Community Behavioral Health.

In November, Inspector General Kurland presented and participated in an expert panel during CBH’s annual Compliance Seminar – a series of events for behavioral health providers throughout the City of Philadelphia. The events focused on fraud prevention, identification and reporting within the mental health care sector.

Speaking Events

The Philadelphia OIG is recognized by other organizations as a leading model in government oversight. Inspector General Kurland continues to speak to various local organizations to further the cause of good government; including Temple Law School, University of Pennsylvania’s FELS Institute, Columbia University’s School of International & Public Affairs, Community College of Philadelphia, the Pennsylvania Bar Institute and Philadelphia’s International Visitors Leadership Program.

The OIG is a key organizational member in a number of professional and academic associations that focus on integrity and ethics in government. In 2017, Inspector General Kurland led a session on contract compliance enforcement challenges at Columbia Law School’s Global Cities Conference, an international event hosted by the Center for the Advancement of Public Integrity.



OIG staff volunteering at Mitchell Elementary



Amy at the Global Cities Conference at Columbia Law Center for the Advancement of Public Integrity

The Inspector General was also named to the faculty of the National Association of Inspectors General, where she instructs other practitioners on contract compliance techniques and anti-discrimination investigations.

The nationwide Society of Corporate Compliance & Ethics also selected the OIG’s “Bids Gone Bad” as one of the top compliance training programs of 2017. Together with the Office of the Chief Integrity Officer, OIG staff presented the course at the 2017 SCCE National Conference in Las Vegas.

OIG AT THE SCHOOL DISTRICT

2017 was a keystone year for the Office of the Inspector General for the School District. Now fully staffed, we undertook significant work on behalf of the District. Our focus was multi-faceted. We issued 14 official reports with findings and recommendations involving employee discipline, vendor misconduct and a charter school. The School District OIG also reviewed and made recommendations involving important District processes and procedures, and performed a department-wide audit of the Office of School Safety (school police). The OIG also participated in criminal investigations that resulted in two convictions involving former District employees, and indictment of a District vendor.



We strongly believe that our work is foundational to the District’s mission of serving Philadelphia’s students by helping to set the tone for ethical behavior by the District’s workforce and vendors, but also by validating the hard work and commitment of the vast majority of District employees who are dedicated to their jobs. This year we have again shown that the financial support provided by the District to the OIG is a sound investment. Our work has resulted in direct and opportunity savings to the District, and ultimately the taxpayer, significantly greater than the cost of the OIG.

14



REPORTS OF INVESTIGATION

Vendor Debarment and Misconduct

The OIG recommended debarment for multiple vendors who were connected to a District employee, and failed to disclose that relationship to the District. The OIG also recommended debarment for an outside tutor who had a full-time job in another state, but continued to bill the District for hours she claimed to be tutoring in Philadelphia.

Consistent with our mission, the OIG will continue to focus on vendors who abuse their relationship with the District, or who outright steal from the public coffers intended for education of Philadelphia children.

Criminal Matters

The OIG worked with the United States Attorney’s Office, the Federal Bureau of Investigation, and the United States Postal Inspection Service to bring charges against Patricia Cleary, a relative of a District student, who allegedly prepared false invoices purportedly for tutoring services provided to the relative. Cleary is accused of receiving nearly \$60,000 from the District, and billing for \$30,000 more. She now faces federal charges including wire and mail fraud, social security fraud, aggravated identity theft, and false statements to government agents.

In 2017, the OIG worked with the Philadelphia District Attorney’s Office to investigate District employees who abused their positions by awarding District contracts to family and friends. That work resulted in two criminal convictions. Former District employee Priscilla Wright was convicted of perjury. In a separate matter, Pamela Smith-Hoye, another former District employee, was convicted of misdemeanor conflict of interest.

Employee Misconduct

During 2017, the OIG investigated instances of employee misconduct. The cases included employees who submitted false information to the District, claimed wages for hours they did not work, or misused District vehicles. The OIG issued multiple reports recommending discipline, up to and including termination.

Charter Schools

During 2017, the OIG issued a report involving the transfer of approximately \$8 million from a charter school that was dissolving to a non-charter school entity. The OIG recommended that the transaction be reviewed and referred to an appropriate regulatory agency.

Policy and Process Improvement Recommendations

In addition to investigating wrongdoing, the OIG mission includes identification of policies and processes that can lead to fraud, waste or abuse. During 2017, the OIG conducted important process reviews, analyzed systemic root cause for fraud and misconduct, and conducted a department-wide performance audit of the school police.

OIG process improvement recommendations involved important District operational functions such as fire drill compliance, fuel safety, timekeeping, home and school association fundraising and bookkeeping, overtime for extracurricular activities at schools, residency,

3



CRIMINAL MATTERS

accounting and use of district vehicles, and use of compensatory education funds. The performance audit of the school police department included review of school police governance and authority, as well as department procedures such as record keeping, timekeeping, training and vehicle use.

Our policy and process improvement work resulted in over 30 recommendations in 2017. During 2018, we continue to assist the District in continuously evaluating its processes and policies to ensure that public funds are used efficiently and in the best interest of Philadelphia students.





PHILADELPHIA OFFICE OF THE
INSPECTOR GENERAL

JAMES F. KENNEY, MAYOR
AMY L. KURLAND, INSPECTOR GENERAL

PHILA.GOV/IG