EXECUTIVE SUMMARY OF DANELLA INVESTIGATION

The City of Philadelphia (City) Office of Inspector General (OIG) investigated a complaint that Danella Companies, Inc., doing business as Danella Construction Corp. (Danella), or its subcontractor, installed less than the required amount of concrete and asphalt on a series of paving projects undertaken for Philadelphia Gas Works (PGW) and overbilled PGW by at least $1.75 million. Danella denied any wrongdoing but has nonetheless cooperated fully with the OIG investigation and agreed to a financial resolution described below.

Danella, of Plymouth Meeting, was one of several firms that performed paving projects for PGW as part of the utility’s maintenance program for its underground infrastructure of pipes. PGW contracted with Danella to perform large-scale paving projects that were part of PGW’s infrastructure-modernization efforts and were aimed at replacing older cast-iron gas lines with modern plastic pipes. These projects generally involved work that covered entire blocks, and the contracts were valued at $22 million.

These contracts required Danella to pave and reconstruct the roadways involved – following longstanding City, Commonwealth of Pennsylvania (Commonwealth) and PGW specifications that were included in the firm’s contracts. The contracts called for Danella to install a specified amount of concrete and asphalt in the roadbed – between 8-10 inches of concrete and 3 ½ inches of asphalt.

However, an OIG investigation undertaken at the request of PGW found significant discrepancies in the amount of construction material for which Danella billed PGW compared with the amount Danella actually installed. As part of the investigation, PGW obtained about 400 core samples from paving work at various projects since 2010. The coring samples – which were analyzed by the OIG, PGW engineers and an independent engineering firm – established that the roadbeds sometimes contained less thickness of concrete or asphalt than provided for by contract specifications.
A review of Danella’s invoices found that although Danella had not provided the required amounts of concrete and asphalt specified in PGW paving contracts, it had significantly overbilled PGW approximately $1.75 million for construction materials not installed.

To settle these claims, Danella has agreed to the following terms:

1. Danella will pay PGW and the City a combined $2,361,000. PGW will receive $1,836,000, which represents the amount Danella overcharged, plus the cost of the core samples. Danella will also pay the City an additional penalty of $525,000.

2. Danella will enter into a comprehensive corporate compliance program to protect against future shortages. The program shall include yearly training and on-site quality assurance measures.

3. Danella will indemnify the City and PGW for three years from the date of this settlement against any problems with the roadways it worked on.