Case Subject: Pirozzi General Contracting – Philadelphia Water Department Contract No. 170522 & Philadelphia Nursing Home Contract No. 181674	
OIG File No. 10699	**Controller File No.** 17-0522
Period of Investigation: February 2018 – October 2018	

CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER

OFFICE OF THE INSPECTOR GENERAL

Peter V. Pirozzi General Contracting, LLC

Contract Compliance Joint Investigation Findings

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Office of Economic Opportunity	1	**Date of Report:**

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EXECUTIVE SUMMARY

Why The Controller's Office and The Office Of The Inspector General Conducted the Investigation

In 2017, the City of Philadelphia ("City") awarded two contracts to the New Jersey construction firm Peter V. Pirozzi General Contracting, LLC, ("Pirozzi Contracting") owned by Peter Pirozzi. In February 2017, the Philadelphia Water Department ("PWD") awarded Pirozzi Contracting a $1.9 million contract to replace windows at the Baxter Water Treatment Plant ("Baxter Plant project"). In August 2017, the Department of Public Property awarded Pirozzi Contracting a $329,711 contract to replace exterior panels at the Philadelphia Nursing Home ("Nursing Home project"). For each contract Pirozzi Contracting represented that it would use Minority Contractors, Inc., a certified Minority Business Enterprise ("MBE"), and Material Source Point, a certified Women Business Enterprise ("WBE"), for a set portion of the labor and/or material supply on each project.

As the Baxter Plant project progressed, Pirozzi Contracting and Minority Contractors, Inc. were unable to reach an agreement on price, payment terms and markup percentage, resulting in the deterioration of the firms' relationship. Pirozzi Contracting unilaterally utilized Material Source Point and Rodriguez Contractor Supply, a purported MBE, to supply the relevant materials in place of Minority Contractors, Inc. Minority Contractors, Inc. never performed any work on the Baxter Plant project, and never received any payment from Pirozzi Contracting. Pirozzi Contracting also unilaterally replaced Minority Contractors, Inc. with Material Source Point and Rodriguez Contractor Supply on the Nursing Home project. The Economic Opportunity Plan ("EOP"), memorialized in each contract, states that substitutions of subcontractors must be pre-approved in writing by the Office of Economic Opportunity ("OEO"). When OEO officials learned of Pirozzi Contracting's unilateral subcontractor replacements, the City withheld a portion of Pirozzi Contracting's contract payment for non-compliance with the EOP, and referred the matter to the Office of the Controller ("Controller") and the Office of the Inspector General ("OIG") to conduct this investigation.

What The Controller-OIG Investigation Found

Based on our investigation and analysis, we determined that Pirozzi Contracting made no effort to secure meaningful MBE/WBE participation and misrepresented its subcontractor relationships to the City of Philadelphia. Specific findings include:

- Material Source Point is not a legitimate WBE, but is operated by and has the same staff as Pirozzi Contracting.
- Thomas Pirozzi, Peter Pirozzi's son and key Pirozzi Contracting employee, coordinated all aspects of material supply and delivery for both the Baxter Plant project and the Nursing Home project.
- Minority Contractors, Inc. performed no Commercially Useful Function, but expected payment for the Baxter Plant project.
- Rodriguez Contractor Supply performed no Commercially Useful Function and is closely related to Pirozzi Contracting.
- Pirozzi Contracting submitted false and misleading documents to City officials, including an invoice for Minority Contractors, Inc. marked "paid" (Minority Contractors, Inc. was never paid); and a business check that was never presented to or negotiated by the MBE subcontractor.

What The Controller-OIG Recommends

The Office of the City Controller and the Office of the Inspector General have developed a number of recommendations to address our findings. Detailed recommendations can be found in the body of the report.

- The City should initiate administrative sanctions against Material Source Point, including but not limited to debarment for up to three (3) years and removal from the City's OEO registry.
- The City should initiate administrative sanctions against Rodriguez Contractor Supply, including but not limited to debarment for up to three (3) years and removal from the City's OEO registry.
- The City should remove Minority Contractors, Inc., from the City's OEO registry and so notify the New Jersey certifying agency.
- The City should initiate administrative sanctions against Pirozzi Contracting, including but not limited to debarment from submitting and/or participating in future City Contracts for a period of up to three (3) years.

Results of the Controller-OIG Investigation

The following sanctions have been imposed as a result of the Controller-OIG Investigation:

- The City debarred Material Source Point for the maximum period of three years, and removed Material Source Point from the City's OEO registry.
- The City debarred Rodriguez Contractor Supply for the maximum period of three years, and removed Rodriguez Contractor Supply from the City's OEO registry.
- The City has removed Minority Contractors, Inc. from the City's OEO registry.
- The City entered into a disposition agreement with Pirozzi Contracting, whereby Pirozzi Contracting has agreed to a three-year suspension from participating in City Contracts, and has agreed to forfeit a total of $145,315.51 to the City.