

**Office of the Inspector General**  
**FISCAL YEAR 2017 BUDGET TESTIMONY**  
**April 29, 2016**

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DEPARTMENT MISSION/PLANS

**Mission:** To enhance the public confidence in the integrity of the City government by rooting out corruption, fraud, misconduct, waste and mismanagement. The Office of the Inspector General's oversight extends to all departments, agencies, boards and commissions under the Mayor's jurisdiction, and to any companies, non-profits or individuals doing business with the City or receiving City funding.

**Plans for Fiscal Year 2017:**

The Office of the Inspector General (OIG) investigates fraud, corruption and misconduct across all City departments in order to make City government more honest and efficient.

The OIG separated from the Mayor's Office and was established as a separate department in FY10 with a budget of \$1.3 million funded entirely out of the General Fund.

ACCOMPLISHMENTS & INITIATIVES

**Effective Investigations of Fraud and Misconduct:** Since 2008, the OIG has saved and recovered taxpayers more than \$70,915,790. These estimates include savings related to salary, benefits, and pension, but do not factor in the costs associated with replacing such employees (if the City does so). Since 2008, more than 320 City employees have been held accountable for wrongdoing as a result of an OIG investigation. In circumstances where administrative misconduct rose beyond the criminal threshold, OIG investigations have been vital in securing criminal convictions for 89 individuals. Since 2008, City employees have filed over 700 complaints. City residents have filed more than 600.

In October 2014, Mayor Nutter signed Executive Order 7-14 reauthorizing the OIG, recognizing the important role that the agency has played in rooting out fraud, corruption, and mismanagement in City government. Upon election, Mayor Kenney reaffirmed that Executive Order. Executive Order 7-14 better aligns OIG's legal mandate with the way the OIG's work has expanded over the years and enhances protection for whistleblowers to prevent retaliation and to ensure that employees feel comfortable reporting misconduct. Executive Order 7-14 expressly authorizes many different types of investigations and acknowledges the different enforcement recommendations that the OIG can employ, ranging from employment discipline to contract sanctions to referral for criminal action if necessary. The Executive Order also restructured the Integrity Officer Program to reflect the way it operates now.

Additionally, the OIG, in conjunction with the Law Department and the Board of Pensions and Retirement, has transformed the pension disqualification program from an ad-hoc system to a proactive and well-coordinated effort to remove criminals from the pension rolls. The OIG helped the Law Department and the Board of Pensions and Retirement improve the pension disqualification program to ensure that there's a coordinated effort to remove criminals from pension rolls.

**Contract Oversight:** The OIG's investigative and enforcement efforts have strongly supported both the administrations' and City Council's priority to ensure a diverse and local workforce. Over the past two years, OIG investigations into abuses of the City's minority participation contracting program, including circular billing arrangements and pass-through entities, have led to the generation of millions in settlement revenue and fines, the removal of wrongdoers from OEO's certified list of vendors, the creation of compliance agreements with contractors, and commencement of the City's first-ever contract or debarment hearing. In the past two years, OIG has removed

one minority vendor from the OEO registry and suspended or debarred three companies (non-OEO vendors) from City business. These results have helped to ensure a level playing field for minority-, women- and disabled-owned businesses.

Additionally, the OIG releases policy recommendations to tackle the root cause of the problem and prevent fraud from the ground up. As a result of these recommendations, two working groups were established to review prequalification requirements for City contractors and the City entered into more than ten settlement agreements that recovered over \$200,000 in lost debt.

**Partnership with the School District:** In January 2015, the OIG and the School District of Philadelphia entered into a Memorandum of Understanding to help strengthen the School District's Office of the Inspector General. The OIG shares best practices and resources and collaborates on investigations. Establishing an effective OIG presence at the School District will help reduce mismanagement and waste and recover funds, thus ensuring that money is available for education. Already, the partnerships with the School District have resulted in a monetary settlement with a charter school and the dismissal of high level employee for misconduct. There are currently approximately 37 active school district ongoing investigations.

**Increasing Investigation Efforts on City-Funded Non-Profits:** Non-profits perform essential services to the City's most vulnerable citizens. The OIG believes that, in addition to funding non-profits, we must ensure that the funds are actually reaching those in need. During FY17, the OIG plans to continue its focus on City-funded non-profits and non-profits receiving City tax incentives. Over the past several years the OIG has investigated a series of cases where directors of non-profits have embezzled funds or mismanaged City money. An OIG investigation resulted in federal criminal charges against two former non-profit officers of SELF, Inc. for embezzling over \$280,000, charges against the directors of Juniata Mental Health Clinic for a loss of approximately \$2,000,000 and a guilty plea by the Executive Director of Huntington Park Neighborhood Advisory Committee for embezzling \$92,000. Additionally, OIG also worked with the Office of Property Assessment to monitor former 501(c)(3) organizations that have had tax-exempt status revoked by the IRS.

As a result of this new caseload, the OIG is working with the PA Attorney General's Office, the United States Attorney's Office, the Federal Bureau of Investigation and other agencies (including internal City offices like the Office of Property Assessment) to form a task force to productively monitor and investigate possible wrongdoing within City-funded non-profit entities.

**Integrity Officer Program:** Throughout 35 City departments, the OIG Integrity Officers work closely with investigators to ensure the highest ethical standards in City operations. In the past five years, the OIG focused on revitalizing the Integrity Officer program by providing trainings, regular meetings, and an annual swearing-in ceremony. The OIG currently has 40 Integrity Officers. In 2013, the OIG enacted the Inspector General Integrity Award to recognize Integrity Officers and others who demonstrated a distinguished effort in promoting ethical government. The award, now renamed the IG's Joan Markman Award for Integrity, is presented annually.

**City-wide Anti-Corruption Campaign:** In FY16, the OIG began an anti-corruption public education campaign to encourage community members to contact the OIG with concerns and complaints related to government corruption, fraud, abuse and misconduct. OIG has created educational postcards and posters to distribute at community meetings and will partner with existing community organizations to spread the word about how citizens can report corruption. In the long-term, this initiative will help create a culture of integrity within City government.

## DEPARTMENT CHALLENGES

While Mayor Kenney has promised the OIG a strong level of support, the office continues to push for an amendment to the Home Rule Charter that would guarantee the OIG a permanent and independent place within City government. Many cities, such as New York, Chicago, Miami and New Orleans, have seen great success with such a structure, recognizing the need to insulate internal investigations from external influence. If the

amendment were enacted here in Philadelphia, it would protect the OIG's investigative work product and insulate the office from improper influence, ensuring that the OIG could continue to serve the citizens of Philadelphia for generations to come. Though legislation to amend the Charter has been introduced, City Council has not scheduled a Committee hearing. We are confident that this amendment is in the best interests of the City, and we look forward to discussing the merits of the amendment with City Council in the coming months.

The OIG is also facing a separate challenge from an increase in case activity. More and more investigations are focused on the Department of Licenses and Inspections, the Philadelphia School District and recipients of City funding, either through City contracts, grants or otherwise. Given the complexities of these cases, OIG investigations in these areas require more time, greater resources and specialized personnel who are equipped to handle the financial and legal character of these investigations. The OIG must work over the next several years to increase training in response to these new challenges.

**OFFICE OF THE INSPECTOR GENERAL  
BUDGET SUMMARY AND OTHER BUDGET DRIVERS**

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**Staff Demographics Summary (as of January 2016)**

	<b>Total</b>	<b>Minority</b>	<b>White</b>	<b>Female</b>
Full-Time Staff	17	5	12	11
Executive Staff	4	0	4	3
Average Salary - Full-Time Staff	\$76,322	\$60,561	\$85,311	\$77,542
Average Salary - Executive Staff	\$119,499	\$	\$119,499	\$123,913
Median Salary - Full-Time Staff	\$72,450	\$62,325	\$73,718	\$72,480
Median Salary - Executive Staff	\$119,432	\$	\$119,432	\$132,609

**Employment Levels (as of January 2016)**

	<b>Budgeted</b>	<b>Approved</b>	<b>Filled</b>
Full-Time Positions	19	19	17
Part-Time Positions	0	0	0
Executive Positions	4	4	4
<i>Overall Average Salary</i>	\$76,322	\$76,322	\$76,322
<i>Overall Median Salary</i>	\$72,450	\$72,450	\$72,450

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**Financial Summary by Class - General Fund**

	Fiscal 2015 Actual Obligations	Fiscal 2016 Original Appropriations	Fiscal 2016 Estimated Obligations	Fiscal 2017 Proposed Appropriations	Difference FY17- FY16
Class 100 - Employee Compensation	\$1,289,745	\$1,390,611	\$1,390,611	\$1,445,611	\$55,000
Class 200 - Purchase of Services	\$192,246	\$272,975	\$272,975	\$272,975	\$0
Class 300 - Materials and Supplies	\$3,094	\$3,125	\$3,125	\$3,125	\$0
Class 400 - Equipment	\$1,716	\$2,100	\$2,100	\$2,100	\$0
Class 500 - Contributions	\$	\$	\$	\$	\$0
Class 700 - Debt Service	\$	\$	\$	\$	\$0
Class 800 - Payment to Other Funds	\$	\$	\$	\$	\$0
Class 900 - Advances/Misc. Payments	\$	\$	\$	\$	\$0
<b>TOTAL</b>	<b>\$1,486,801</b>	<b>\$1,668,811</b>	<b>\$1,668,811</b>	<b>\$1,723,811</b>	<b>\$55,000</b>

**Contracts Summary (as of December 2015)**

	FY11	FY12	FY13	FY14	FY15	FY16*
Total amount of contracts	\$219,000	\$175,000	\$250,000	\$408,000	\$258,600	\$480,330
Total amount to M/W/DBE Participation Rate	\$0	\$0	\$0	\$0	\$10,000	\$20,000
	0%	0%	0%	0%	4%	4%

\* as of December 2015

## OFFICE OF THE INSPECTOR GENERAL PROPOSED BUDGET OVERVIEW

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### PROPOSED FUNDING REQUEST

The proposed Fiscal Year 2017 general fund budget totals \$1,723,811, an increase of \$55,000 over Fiscal Year 2016 estimated obligation levels. This increase is primary due to the need for an investigator to support on-going investigative matters.

The proposed budget includes:

- \$1,445,611 in Class 100, a \$55,000 increase over FY16. The \$55,000 encompasses a request to move \$30,000 in Revenue from the School District which was deposited and coded as class 6330 – Voluntary Contributions – which is now in the Inspector General’s FY16 Budget. The OIG requests to move the \$30,000 to Class 100 salaries. The request for an additional \$25,000 to add to the \$30,000 to hire an investigator to support: Non-Profit investigations which ensure that funds dedicated to non-profits are actually reaching those in need, collaboration on School District investigations, completion of contract review to ensure a diverse and local workforce and conduction of investigations related to the Department of Licenses and Inspections.
- \$272,975 in Class 200, no increase over FY16. This funding is for the purchases of services.
- \$3,125 in Class 300, no increase over FY16. This funding is for materials and supplies.
- \$2,100 in Class 400, no increase over FY16. This funding is for equipment.

### STAFFING LEVELS

- The OIG has grown from a staff of five in 2008 into an agency of 17, staffed by analysts and highly trained investigators – 71% percent of the office is certified by the National Association of Inspectors General and 60% of investigators are also Certified Fraud Examiners. The investigative team is supported by an administrative staff of one, as well as three staff members from the Philadelphia Police Department (PPD) and Philadelphia Prison System (PPS) who are detailed to the OIG. Together, with our PPD and PPS partners, the OIG investigative team totals 20 as of January 2016.
- The OIG actively employs a diverse group of people. Overall, 30% of the OIG team comes from a minority background, with 20% identifying as African-American and 10% as Hispanic/Bilingual. Regarding gender, our office is 66% female and 34% male.

New Hires:

- Coleen Yenoli, white female, transferred from the Law Department on 6/15/15.
- Richard Riley, African-American male, transferred from the Law Department in 3/2016. (He is not included in the staff demographics, which are as of January 2016.)
- Janine Zajac, white female, transferred from the Law Department on 4/11/16. (She is not included in the staff demographics, which are as of January 2016.)
- See appendix for Bilingual Employees Chart.

**OFFICE OF THE INSPECTOR GENERAL  
PERFORMANCE, CHALLENGES AND INITIATIVES**

**DEPARTMENT PERFORMANCE (OPERATIONS)**

<b>Performance Measures</b>	<b>FY15 Actual</b>	<b>FY16 YTD</b>	<b>FY17 Target</b>
Terminations (# of cases)	18	11	*
Arrests (# of cases)	23	6	*
Pension Disqualification (# of cases)	7	2	*
Cases referred by City employees (# of cases)	323	94	*

*\*On a yearly basis, the OIG tracks certain statistical accomplishments that result from the office’s casework, including: (i) financial savings and/or recovery for the City; (ii) administrative and/or disciplinary action, such as employment termination or suspension; and (iii) criminal enforcement outcomes, such as arrests/indictments and convictions. In 2015, OIG investigations resulted in over \$12 million in savings and recovery, 33 administrative actions and 14 criminal arrests and/or indictments. Since 2008, OIG investigations yielded over \$70 million in savings and recovery, 328 administrative actions and 89 criminal arrests and/or indictments.*

**OFFICE OF THE INSPECTOR GENERAL  
OTHER BUDGETARY IMPACTS**

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FEDERAL AND STATE (WHERE APPLICABLE)

- N/A



**OFFICE OF THE INSPECTOR GENERAL  
CONTRACTING EXPERIENCE**

**M/W/DSBE Participation on Large Contracts  
FY16 Contracts**

Vendor	Service Provided	Amount of Contract	RFP Issue Date	Contract Start Date	Ranges in RFP	% of M/W/DSBE Participation Achieved	\$ Value of M/W/DSBE Participation	Total % and \$ Value Participation - All DSBEs	Local Business	Living Wage Compliant?
Advanced Detective Bureau	Surveillance Services	\$20,000	Exempt from posting.	7/1/14	MBE:	100%	\$20,000		y	y
					WBE:	0%	\$0	100%	y/n	
					DSBE:	0%	\$0	\$20,000	y/n	
H.J. Sweeney & Associates	Investigative Consultant	\$225,000	4/15/13	6/10/13	MBE: Best and Good Faith Efforts	0%	\$0		n	y
					WBE: Best and Good Faith Efforts	0%	\$0	0%	y/n	
					DSBE: Best and Good Faith Efforts	0%	\$0	\$0	y/n	
LB Pedrotty	Investigative Consultant	\$150,000	5/7/14	7/1/14	MBE: Best and Good Faith Efforts	0%	\$0		y/n	y
					WBE: Best and Good Faith Efforts	0%	\$0	0%	y/n	
					DSBE: Best and Good Faith Efforts	0%	\$0	\$0	y/n	
RJC & Associates	Investigative Consultant	\$155,000	5/4/14	6/1/15	MBE: Best and Good Faith Efforts	0%	\$0		y/n	y
					WBE: Best and Good Faith Efforts	0%	\$0	0%	y/n	
					DSBE: Best and Good Faith Efforts	0%	\$0	\$0	y/n	
M. LLC	Graphic design & production. Miscellaneous Purchase Order	\$5,330	Exempt from posting.	8/3/15	MBE:	0%	\$0		y/n	y
					WBE:	0%	\$0	0%	y/n	
					DSBE:	0%	\$0	\$0	y	

**OFFICE OF THE INSPECTOR GENERAL  
EMPLOYEE DATA**

**Staff Demographics (as of January 2016)**

	<i>Full-Time Staff</i>		<i>Executive Staff</i>	
	Male	Female	Male	Female
	African-American	African-American	African-American	African-American
<i>Total</i>	2	2	<i>Total</i>	0
<i>% of Total</i>	11.8 %	11.8%	<i>% of Total</i>	0.0%
<i>Average Salary</i>	\$66,163	\$56,240	<i>Average Salary</i>	\$
<i>Median Salary</i>	\$66,163	\$56,240	<i>Median Salary</i>	\$
	White	White	White	White
<i>Total</i>	4	8	<i>Total</i>	1
<i>% of Total</i>	23.5%	47.1%	<i>% of Total</i>	25.0%
<i>Average Salary</i>	\$78,048	\$85,311	<i>Average Salary</i>	\$106,255
<i>Median Salary</i>	\$72,968	\$74,235	<i>Median Salary</i>	\$106,255
	Hispanic	Hispanic	Hispanic	Hispanic
<i>Total</i>	0	1	<i>Total</i>	0
<i>% of Total</i>	0.0%	7.7%	<i>% of Total</i>	0.0%
<i>Average Salary</i>	\$	\$58,000	<i>Average Salary</i>	\$
<i>Median Salary</i>	\$	\$58,000	<i>Median Salary</i>	\$
	Asian	Asian	Asian	Asian
<i>Total</i>	0	0	<i>Total</i>	0
<i>% of Total</i>	0.0%	0.0%	<i>% of Total</i>	0.0%
<i>Average Salary</i>	\$	\$	<i>Average Salary</i>	\$
<i>Median Salary</i>	\$	\$	<i>Median Salary</i>	\$
	Other	Other	Other	Other
<i>Total</i>	0	0	<i>Total</i>	0
<i>% of Total</i>	0.0%	0.0%	<i>% of Total</i>	0.0%
<i>Average Salary</i>	\$	\$	<i>Average Salary</i>	\$
<i>Median Salary</i>	\$	\$	<i>Median Salary</i>	\$
	Bi-lingual	Bi-lingual	Bi-lingual	Bi-lingual
<i>Total</i>	0	2	<i>Total</i>	0
<i>% of Total</i>	0.0%	15.4%	<i>% of Total</i>	0.0%
<i>Average Salary</i>	\$	\$	<i>Average Salary</i>	\$
<i>Median Salary</i>	\$	\$	<i>Median Salary</i>	\$
	Male	Female	Male	Female
<i>Total</i>	6	11	<i>Total</i>	1
<i>% of Total</i>	35.3%	64.7%	<i>% of Total</i>	25.0%
<i>Average Salary</i>	\$74,086	\$77,542	<i>Average Salary</i>	\$106,255
<i>Median Salary</i>	\$71,225	\$72,480	<i>Median Salary</i>	\$106,255

**OFFICE OF THE INSPECTOR GENERAL**  
**APPENDIX (Other Relevant Data and Charts)**

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**Number of Bilingual Employees (as of January 2016)**

	<b>Spanish</b>	<b>Hindi</b>	<b>French</b>
All Divisions	3	1	1
Total - # of Bilingual Employees		3	
Total - # of Languages Spoken		3	