



ANNUAL REPORT 2023

**Office of the Inspector General
School District of Philadelphia**

**Cynthia Irizarry
Inspector General**

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OUR MISSION

The mission of the Office of the Inspector General (OIG) is to promote integrity within the School District of Philadelphia. The OIG is charged with the authority to review, investigate and report on fraud, waste and abuse within the School District of Philadelphia. The Philadelphia School District is the eighth largest school district in the United States with 19,000 employees serving roughly 197,000 students in more than 330 schools. The office serves as a watchdog for the District to ensure oversight of taxpayer money. The OIG operates as an independent office, reporting to the Board of Education for the School District of Philadelphia, and conducts administrative investigations, comprehensive reviews and audits into the operation, administration and efficiency of District policies procedures and departments which includes those entities that conduct business with the District.

In March 2019, the Board passed a resolution that reestablished the OIG as an independent entity charged with the authority to review, investigate and report on fraud, waste and abuse within the District; the resolution was modified and codified as Board Policy 1200 in October 2023. Board Policy 1200 outlines the role of the Inspector General and grants the OIG the autonomy to conduct itself in a manner that ensures that employees and the public have a safe and confidential means of reporting fraud and misconduct without fear of reprisal.

The OIG remains committed to partnering with the District to ensure accountability and fiscal responsibility and, as always, to deter and identify fraud, waste, and abuse.

OUR OFFICE

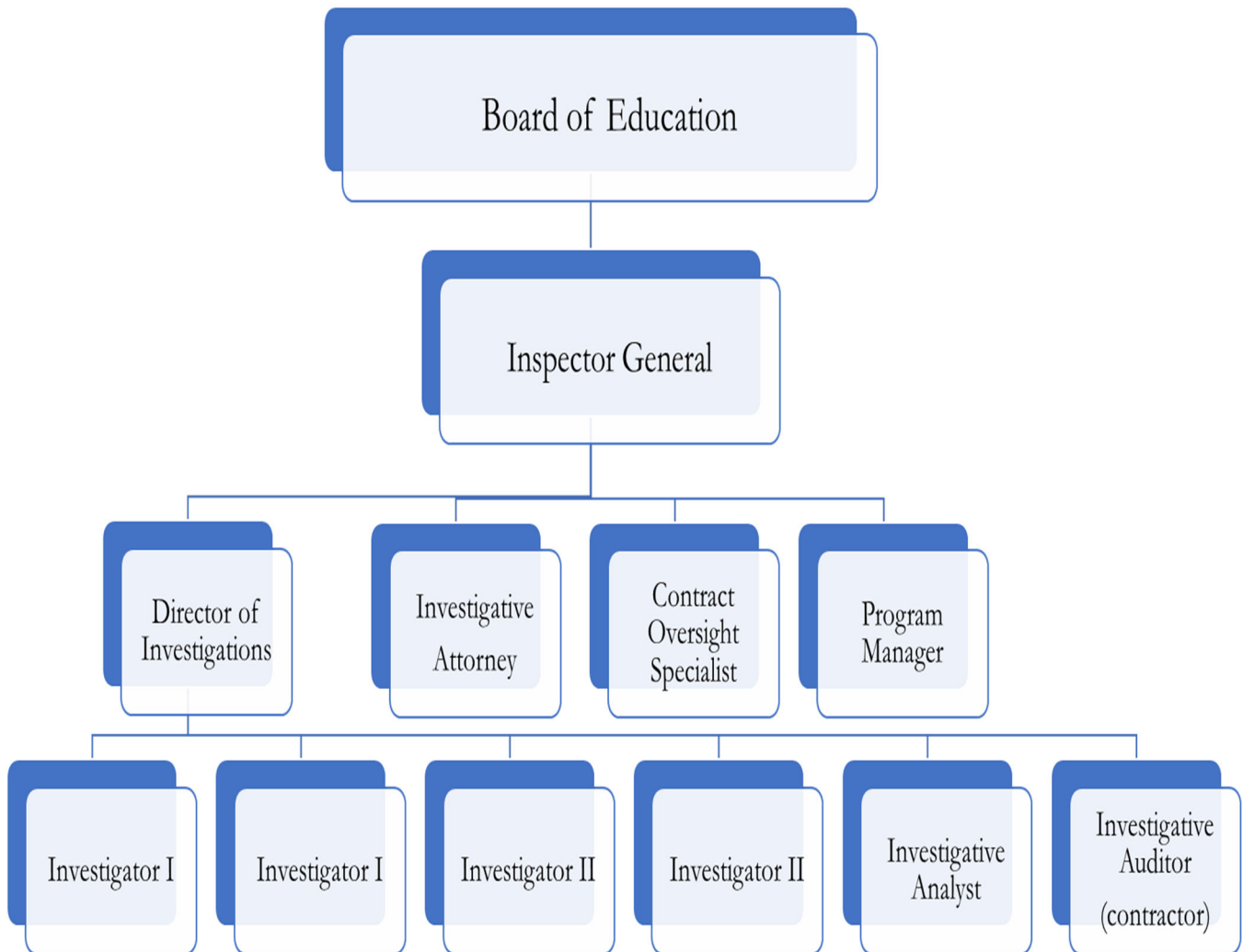
The end of 2023 marked some significant staffing changes within the OIG, as Inspector General Jayme Naberezny departed the office after five years of dedicated leadership. Inspector General Naberezny has left an indelible mark on the District during her tenure. In late November Cynthia Irizarry was named the new Inspector General. Cynthia comes from the New York City region and was formerly an Inspector General with the New York City Department of Investigation, she holds a Master's and Bachelor's Degree in Criminology and Criminal Justice, has a Juris Doctorate and is licensed to practice law in New York and New Jersey.

In addition to the installation of a new Inspector General, the office recognized the skills and accomplishments of several employees who were promoted within the office and the newly created Oversight Contract Specialist position was filled. Several vacancies remained at the end of the year and filling them will be a priority in 2024.

In the upcoming year, the goal is to recruit and hire talented individuals to complement the already adept makeup of the office. The office has held to stringent standards for staffing as all investigative employees of the OIG are members of the Association of Inspector General (AIG), a national organization of state, local and federal inspectors general and their staff. Many staff members hold advanced educational degrees and some of the certifications that our staff holds are: Certified Inspector General, Certified Inspector General Investigator, Certified Inspector General Auditor, Certified Public Accountant, Certified Fraud Examiner, Certified Internal Auditor, members of the Pennsylvania Bar, New Jersey Bar, and New York Bar.

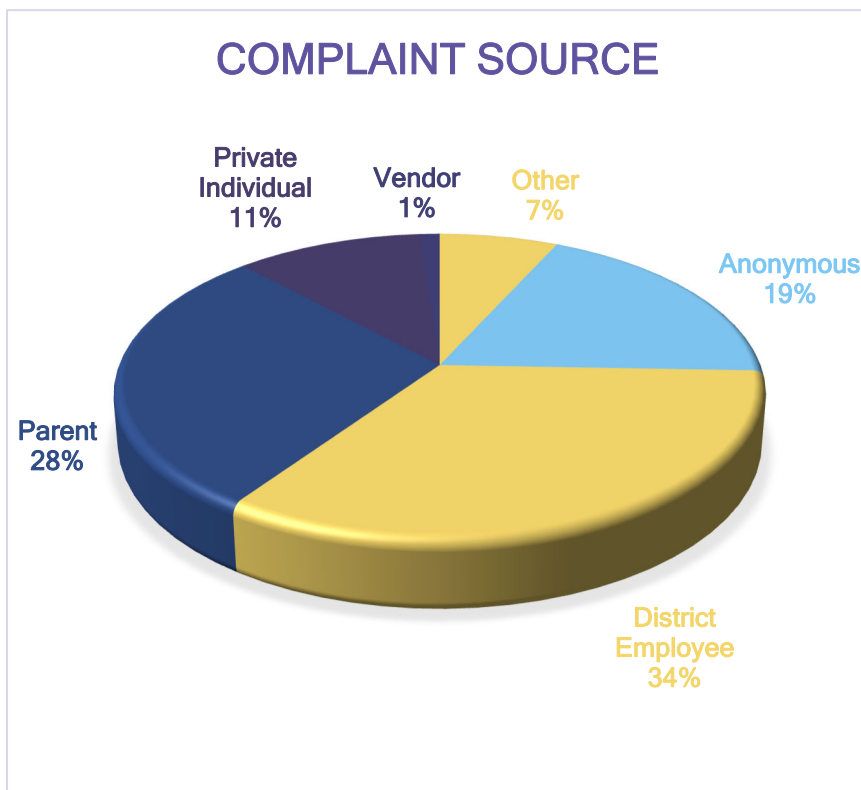
Each year, employees who hold certifications under the AIG must complete multiple hours of continuing education credits. In October of 2023, several of the investigative staff traveled to New York City for the annual training conference presented by the AIG. The focus of this training conference was innovation and the future of oversight, which examined leveraging new and innovative technologies to combat waste, fraud and abuse which will be a key tenet of the Office in the upcoming year.

Office of the Inspector General Organization Chart



OUR WORK PROCESS

The majority of the work the OIG investigates originates from complaints made by the public. In 2023, the OIG received **176** complaints. Our complaints can come from a variety of different manners, including our online complaint form, email, phone call or a walk in at the OIG office.



The majority of our complaints came from either emailing the OIG directly, using our online complaint or calling our hotline. Just as the manner of the way we receive our complaints vary, so too does the source of our complaints. The graph on the left shows the various sources of the complaints we received.

Every complaint the office receives is logged into our case management system and vetted for review. The evaluation of those complaints seeks to determine whether any policies, regulations or laws have been broken, and if an OIG investigation is appropriate.

An evaluation may result in any of the following:

- The complaint being referred internally to the school district,
- A request for additional information,
- The information being retained for intelligence purposes as no additional action can be taken.¹
- Opening a preliminary investigation or case.

When a complaint is identified as requiring further investigation, audit or review, an investigator will begin conducting background research, interviewing witnesses and reviewing documents. At the end of an investigation if the allegations are substantiated a report will be written outlining the Office’s findings as well as any relevant policy and procedure recommendations which are shared with the Board of Education, internal District partners and publicly.

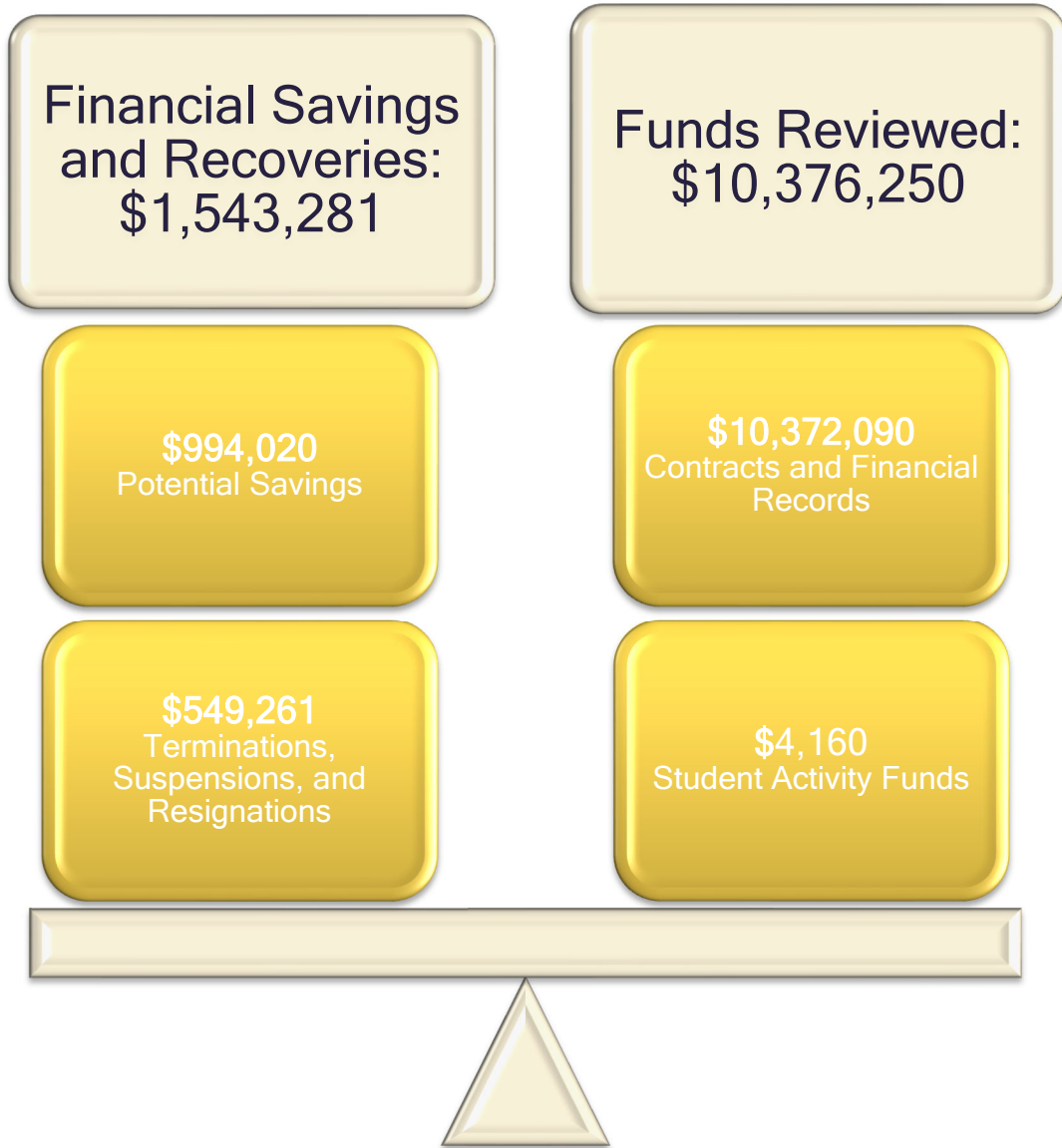
Of the 176 complaints received in 2023, the OIG referred 76 of them to either the District or other partners for investigation or for informational purposes. Forty-five complaints were opened as preliminary investigations of which 21 were opened as full investigations.

Complaints: End of Calendar Year 2023	
Total number of Complaints	176
Complaints referred	76
Investigation	45
No additional action taken	55

During the year, OIG staff was able to close 38 investigations, completed and released a self-initiated review of the District’s relinquished vehicles and included 12 schools as part of a school safety review. As a result of our completed investigations and reviews, the OIG made 31 policy and procedural recommendations, issued nine investigative reports, and five recommendation letters.

¹ A complaint may be designated with “no additional action taken” due to a lack of information provided in the complaint or the complaint is too broad or general and the OIG is unable to take any additional information based on the provided information.

OUR IMPACT



OUR CASES

In 2023, the Commonwealth of Pennsylvania Court ruled that the state's public education formula had resulted in Philadelphia and other school districts being underfunded for years. While the school district has a \$4.5 billion budget, that budget is still \$1.4 Billion less than the District needs, which means that every dollar of that budget is crucial to the running of the District.² The OIG conducts investigations that aim to safeguard those critical dollars. The OIG's mission remains to ensure that taxpayer dollars are spent in a responsible, efficient, and transparent manner. As a result, the OIG inspected about ten times its annual budget this year, and continues to be a sound investment for taxpayers. The cases below highlight some of the work that the office produced throughout the year.

Relinquished Vehicles:

Based on information gathered during the OIG's 2022 review of the non-bus fleet, an additional review was conducted to determine any deficiencies related to the relinquishment of District vehicles as mentioned in District Policy 711 and its administrative procedures. The OIG found the District lacked a formal vehicle relinquishment process, vehicle relinquishment records could not be reconciled, a violation of the District's Code of Ethics may have occurred, and the District lost approximately \$92,170 due to these inefficiencies. The OIG made multiple recommendations to the District which included: revise and formalize the vehicle relinquishment process, ensure compliance with state vehicle code requirements for the maintenance of vehicle records, calculate the value of vehicles to be relinquished, use only District-contracted vendors for the disposal of vehicles, and consider implementing disclosure requirements from employees who purchase relinquished District vehicles.

² *Commonwealth of Pennsylvania Basic Education Funding Commission, Report #2.* (2024, January 11). Retrieved April 25, 2024, from https://www.pahouse.com/files/Documents/2024-01-11__123718__Report2.pdf

Student Activity Fund Mismanagement:

According to the Office of General Accounting, the Student Activity Fund (SAF) is a bank checking account, set-up for each individual school, used for the receipts and disbursements of funds pertaining to approved activities associated with students. Examples of uses for the SAF include class trips, yearbook, prom, and athletics. Some of the larger schools have a SAF that accumulates over \$100,000 a year. While the District has strict policies outlined in a manual produced by the Office of General Accounting and layers of control in place to safeguard these funds, the OIG regularly receives complaints alleging mishandling or theft of funds. This year, the OIG reviewed mismanaged funds at an elementary-middle school (K-8) resulting in several thousands of dollars being put at risk due to the failure to adhere to proper accounting procedures laid out in the SAF manual. The OIG recommended that all school-based staff adhere to the policies outlined in the manual and consult with the Accounting Compliance and Control Monitor assigned to the school for guidance in handling the SAF accounts.

Theft of District Funds

In October of 2022, the OIG received a complaint from the Office of Capital Programs (Capital) alleging that an individual submitted fraudulent bank information to change the payment method of a supplier, from mailing checks to an automated clearing house (ACH) payment. As a result, without any further verification of the information that individual provided, the District deposited two payments totaling \$137,970 into the individual's account, and two additional payments totaling \$200,010 were pending. Fortunately, the District was able to stop all of the pending payments and after filing a fraud claim with the bank, ultimately recovered \$132,335, resulting in an actual loss of \$5,635.

Furthermore, the OIG initiated an internal investigation which substantiated that the District lacked sufficient policies and procedures to govern changes being made to vendor information in the Oracle payment system, which led to the attempt to fraudulently obtain \$503,580 of

District funds. To the District's credit, the employees involved in this incident acted promptly when alerted that the vendor had not received recent payments and in making the subsequent determination that payments were deposited into a fraudulent account. Taking quick corrective action likely aided in the recovery of most of the money that had already been deposited into individual accounts and prevented further loss of funds.

The OIG recommended that the District improve its internal controls to prevent individuals from making fraudulent requests to change payment information and to better protect District assets. To ensure good stewardship of public funds, the District must implement formal policies and procedures to govern the use of the (ACH) payment system, and should base those policies on the rules and guidelines laid out by National Automated Clearinghouse Association (NACHA) and other organizations such as the Office of the Washington State Auditor (SAO). The OIG also recommended that the District provide training to new employees immediately upon starting employment and annually to existing employees on social engineering and the indicators of fraud schemes.

This matter was referred to local law enforcement for prosecution.

School District Property

The OIG received a complaint alleging that the District wasted funds used to purchase ventilation fans during the COVID-19 pandemic to improve air circulation in the classrooms, but then scrapped the use of the fans for commercial grade air purifiers. The OIG was further informed that District employees observed some of these fans, mounted on plywood in preparation for installation, thrown away in the school garbage dumpsters. As a result, the OIG interviewed District employees, reviewed purchase orders, and conducted site visits to various District properties in an attempt to locate and account for the fans. The OIG found that between October and December 2020, the District purchased 3,000 ventilation fans at a total cost of \$117,970. Due to inaccurate record keeping the OIG was unable to substantiate whether the fans were discarded. However, the District was unable to fully account for the whereabouts of all the fans and OIG efforts to locate them were largely unsuccessful.

Employee Misconduct

The OIG received a complaint from the Office of School Safety (OSS) alleging that an employee had not reported to work for approximately four months, beginning in September 2022. Further, the complaint alleged that the employee continued to receive full pay because their supervisor had not been coding the employee's time properly. As a result of this information, the OIG determined that the employee was absent for 100 days from mid-August 2022 until January 2023. Of those 100 days, the employee was coded on leave for 20 days, of which only four days were approved, and they were not coded on leave for 80 days when they actually failed to appear. As a result of these errors, the employee continued to receive full pay for 80 days when they did not report to work and other employees were paid overtime to cover the missed shifts. As a result, the District made salary overpayments to the individual totaling \$16,141 and an additional \$26,320 in undue overtime for a total loss to the District of \$42,461.

School Safety

In 2023, the OIG began conducting school safety assessments. The OIG advances the District's goals and guardrails of providing an environment that is welcoming and supportive, and in that vein the OIG began conducting unannounced school safety inspections to identify safety issues located on District Campuses. During the 2022-2023 school year, the OIG conducted 12 unannounced school safety inspections.

Vehicle Misuse

The OIG issued two reports of investigation related to the misuse of District vehicles by District employees. The first investigation was initiated when the Office received information indicating that a District vehicle was observed parked outside a pawn shop during normal District work hours. The investigation determined that this vehicle was driven by a District employee. The investigation substantiated that the individual abused their District vehicle by using it before and after work hours, on the weekend, and when they were away from the District on vacation,

sick, and personal leave days. Additionally, the OIG substantiated that the individual stole at least 126 items from District schools and sold the stolen items to pawn and resale shops throughout the City. The individual admitted to the misuse of their District vehicle and thefts from various schools and was ultimately terminated from the District.

The OIG referred the matter of the stolen district items to appropriate authorities for criminal prosecution.

The second investigation stemmed from a facilities review that the OIG was conducting. During the review, the OIG observed that one vehicle in particular appeared to be involved in a continual pattern of misuse. As a result of the observation, the OIG initiated an investigation into who was assigned the vehicle and whether the use of the vehicle was in accordance with District policies. The investigation revealed that the employee used a District vehicle for personal purposes on numerous occasions to travel to restaurants, stores, parks, and family members' residences, while also transporting their spouse and children in and around their home which was close to two hours from the District. The individual misused the District vehicles on weekends, holidays, during and after work hours, and while on leave from the District in violation of the District's vehicle policy and procedures.

The OIG recommended discipline consistent with Pennsylvania law and District policy for the employee's misuse of a District vehicle.

Both of these investigations reiterate what has been addressed in multiple OIG reports; the District must do more to strengthen controls and ensure compliance with the non-bus vehicle policies and procedures. The OIG continuously utilizes valuable resources to investigate these cases due to a lack of oversight by the management and supervision of those assigned to District vehicles. The District must enforce clear procedures for supervisors and fleet liaisons to track driver information. Each of the investigations substantiated that employees were grossly misusing their assigned vehicles for personal purposes outside of District hours, on weekends, and often transporting non-District individuals in the vehicles.

Residency

The School District of Philadelphia requires that in order to be eligible to attend a Philadelphia School an individual must reside within the confines of Philadelphia County. Living outside the geographical boundaries of Philadelphia and attending school in Philadelphia County without submitting appropriate documentation as to residency is a violation of School District Policy 202 and Sections 1301 and 1316 of the Pennsylvania Public School Code (24 P.S. Secs. 1301, 1316). The OIG continues to investigate these residency complaints, which made up about six percent of the total number of complaints the office received in 2023. The OIG substantiated two investigations during the course of the year, resulting in a potential \$68,478.60 in tuition reimbursement owed to the District.

Wage Continuation

Wage Continuation is the District's short-term salary continuance program in which District employees can elect to enroll. The program allows the employee to receive a portion of their salary due to an illness or non-work-related injury that extends beyond their sick time. The OIG received a complaint that an employee was abusing the wage continuation benefit offered by the District. An OIG investigation ultimately substantiated that the individual was in wage continuation status for approximately two months longer than the benefit otherwise permitted and erroneously collected salary and benefits for multiple pay periods, causing financial losses to the District in the amount of \$12,859.67.

The OIG recommended that the process by which balances of wage continuation time to employees be modified to accurately take into consideration the necessary reestablishment periods and prevent employees from erroneously having their time restarted. This will ensure that fewer employees abuse the benefit in the future by remaining in wage continuation status longer than permitted.

OUR FUTURE

2024 promises to be a year of growth and change for the office. With the installation of a new Board of Education in May, the Office looks forward to working with the new Board and further advancing the aims and goals of the District. We strive to be closer to becoming peer reviewed by the Association of Inspectors General and hope to have laid a good foundation by the end of 2024.

While the Contract Compliance Program started at the end of 2023, we hope to make greater strides in 2024 and begin to see larger savings as a result of the increased number of contracts dollars being reviewed and examined. In addition to examining contracts, we are aware that we live in a world of emerging data and artificial intelligence. As such, we also plan on leveraging existing data that the District maintains and begin to utilize data analytics to guide our cases.

As always, the Office will continue to engage District leaders in proactively identifying corruption hazards, fraud, waste and abuse. We hope to have a new anti-corruption training presentation implemented in the District's on-line training system. Furthermore, we anticipate performing in-person training for certain District staff. Since 2019, this Office has conducted training for more than 1,000 employees and have provided them with resources to report fraud, waste and abuse.

We continually strive to expand our social media presence in an effort to raise awareness of the work of the office and that will continue to be a priority in the upcoming year. We believe that with an increased presence and accessibility to employees and the public we will continue to see an increase in the number of complaints the office receives.

OUR CONTACT INFO

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