

# **OFFICE OF INSPECTOR GENERAL**

## **School District of Philadelphia**

### **Investigative Report Synopsis**

#### **Introduction**

An Office of Inspector General (OIG) investigation found that the program director for an after school program sought reimbursement from the Pennsylvania Department of Education (PDE) for paychecks issued to unverified independent contract employees. Additionally, the director billed PDE over \$97,000 in expenses for programming from April 2020 to July 2020 that did not occur, and collected grant money during that period despite all District schools being closed. Furthermore, the OIG found that non-District employees working for the after school program failed to obtain the proper safety clearances to work with students.

#### **Background**

The after school program received a grant administered through the state, which aims to provide academic, artistic, and cultural enrichment opportunities during non-school hours for students who attend high-poverty and low-performing schools. The grant is federally funded from the US Department of Education (USDE) with competitive sub-grants awarded by state educational agencies, in this case, the PDE. The director paid all of the program expenses including employees' wages, independent contract employees, and outside vendor services, then sought reimbursement through PDE by submitting Monthly Expenditure Reports. During the 2019-20 school year, the director operated and provided after school programming through two separate grant awards, \$474,100 for Cohort 7 grant and \$239,940 for Cohort 10 grant. In total, the program was eligible to receive \$714,040 for that single school year. While the program received grant awards for over a decade, the OIG investigation focused on reimbursement for expenses of services supposedly provided to the District from April through July 2020, after the District suspended in-person learning due to the pandemic.

#### **Investigation**

##### ***Billing Fraud***

During the investigation, the OIG learned that the monthly expenditure reports the director submitted to PDE for reimbursement of the program expenses for the 2019-20 school year contained unverified hours worked by program employees and independent contractors. Specifically, during the four months from April through July 2020, the director claimed that program employees, including independent contract employees, worked 3,831 hours at a cost of \$97,442 for salary and benefits to deliver the afterschool program even though the District closed all of its schools and suspended extra-curricular programs and activities. According to some contract employees, they never received paychecks during that time, though their names, hourly rate, hours worked and total amount paid appeared on the monthly expenditure reports that were submitted to PDE for reimbursement of salary expenses.

#### **REPORT FRAUD, WASTE, AND ABUSE**

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One District employee and program teacher learned that the director had recorded work hours for them only after they attempted to apply for public assistance early in the pandemic and were denied because income had been reported from the program. The employee stated that the director discontinued the program on March 13, 2020. When the employee mentioned this issue to another District employee, the other employee stated that they were having the same problem. Both employees' names appeared on the June and July 2020 Monthly Expenditure Reports that the director submitted to PDE for reimbursement of the program expenses through the grant.

Despite the fact that all after school programming was suspended, the director continued to submit monthly expenditure reports to PDE from April through July 2020 with a total cost of salaries and benefits of \$97,442 for 3,831 hours worked. The reports consisted of monthly expenses by category, each signed and certified by the director. The breakdown for salaries contained the names of each employee/independent contractor, their title, hourly rate, hours worked, and total amount paid. The director did not submit any other documents to verify the work hours. Further, despite the director acknowledging that they maintained such documentation, they did not provide OIG investigators upon request with staff sign-in sheets or student attendance records as evidence that the program occurred. OIG investigators interviewed several program independent contract employees, all of whom claimed that they never received paychecks during the months of the pandemic when the program ceased, yet the monthly expenditure reports disclosed that the director claimed reimbursement for payroll expenses.

OIG investigators spoke with the director and the program administrator regarding the monthly expenditure reports to PDE from April to July 2020. They each stated that programming was discontinued in March 2020 and then a virtual program was offered for a short period of time in June. Nevertheless, expenditure reports for June and July claimed payroll expenses totaling \$71,248 and included contract employees from locations that ceased operations completely. The director claimed that staff worked 3,032 hours over the course of June and July.

The director claimed to have personally worked 170 hours per month from April through July 2020 and was paid \$21,459. Additionally, the director paid their two family members a total of \$13,248, each working approximately 78 hours per month over the same period, during which the family collectively received over \$34,000 in salary. The director also paid the program administrator \$8,211 for working 78 hours per month. They all were actual employees of the program and according to the payroll journal each had taxes withheld from their paychecks. However, the Pennsylvania Department of Labor and Industry only showed wages reported from the program for the 3<sup>rd</sup> quarter and 4<sup>th</sup> quarter of 2019. In fact, no wages were reported for any of these four employees for the entire 2020 calendar year.<sup>1</sup>

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<sup>1</sup> PDE provided monthly reimbursement reports from September 2019 through August 2021. Despite the director reporting that these employees received monthly paychecks throughout the 2020 and 2021 calendar years, no wages were reported in either year to the Pennsylvania Department of Labor and Industry.

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The director could not provide OIG investigators with any explanation as to why these four employees earned over \$10,000 in salaries each month, except to say that they were planning for virtual learning for the students and discussing how they were going to move forward with the program. They allegedly conducted several meetings regarding virtual programming, but did not take any minutes or notes of the meetings. The director did not provide OIG investigators with any plans, outlines, or syllabus for the virtual learning program. Despite the grant proposal asserting that the program would also maintain student attendance and benchmark performance records, the director and administrator failed to provide the OIG with any of these documents.<sup>2</sup>

### ***Contractor Invoices***

A review of invoices from contractors during the 2019-20 school year also proved to be troublesome. Only one of the 12 contractors or businesses that provided services to the program was properly registered with the Pennsylvania Department of State as required. The director confirmed that each service provider submitted a signed invoice for services rendered to the program, which the director then submitted as an attachment to the monthly expenditure report to request reimbursement from PDE. Nevertheless, after close examination of those invoices, OIG investigators noted some similarities that indicate potential fabrication, such as the price per class, lack of company letterhead or logo, invoice number, business telephone number, or email. Further, each invoice was styled in the same general format and one invoice even contained a non-existing address.

### ***Missing Clearances***

According to Board Policy 818 and Pennsylvania law,<sup>3</sup> all service providers, independent contractors and their employees who are performing work for school entities are required to undergo background checks if they will have direct contact with students. This includes a Pennsylvania State Police Criminal History Record, a Pennsylvania Department of Human Services Child Abuse History Clearance, and a Federal Criminal History Record Information.

While the program employees changed periodically, a large majority were also District employees and had previously obtained their clearances through their District employment. However, 11 program employees lacked clearances, including eight individuals listed as “teachers,” among them the director’s family. In fact, the director also lacked the proper clearances to perform any work with the District. Lack of any of the aforementioned clearances

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<sup>2</sup> While the director did provide the OIG with one teacher sign-in sheet from the month of January 2020, no other records were made available.

<sup>3</sup> 24 PS 111; 23 PA.C.S.A. 6344.

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violates the District partnership agreement and contradicts what the director stated they would provide in their agreement with PDE.

### ***Unknown Independent Contract Employees***

OIG investigators were unable to verify eight independent contract employees whose names appear in the monthly expenditure reports and who purportedly received paychecks as having actually worked for the program. Two of these individuals are current District employees and were listed as teachers for the program. One of these individuals told OIG investigators that they did not know the director, did not know what the afterschool program was, had never worked for the program, and had never received a paycheck or tax form from the program. The other stated that they were not familiar with the program and had never taught in an afterschool program. Interestingly, an individual with the same name was known to be an acquaintance of the director.

In addition to these two District employees, six non-District employees could not be verified. The names of the six non-District employees were presented to site coordinators from the three participating schools, but the site coordinators were unable to identify those individuals. The director invoiced PDE for \$11,764 in salary for these 8 employees during June and July 2020.

### **Findings and Recommendations**

The OIG investigation found several significant issues with the operation of the after school program and the monthly expenditure reports that the program director submitted to PDE for reimbursement of program expenses, which could not be verified. Particularly telling, the director submitted to PDE and was paid over \$97,000 in payroll and benefit expenses for hours that program staff supposedly worked when the program was halted due to the pandemic shutdown.

To date, the OIG has not received any of the documents requested from the director and program administrator. There is significant evidence to suspect that the director has failed to provide legitimate staffing and services for District's students and may have engaged in fraudulent activity, which prompted a referral to PDE and law enforcement agencies for further investigation and any action they deem necessary. PDE informed the OIG that it has ceased all further involvement with this director and their program. Consequently, the District's Office of Strategic Partnerships also discontinued and rejected any future partnership opportunities with the director or the program at the recommendation of the OIG.

Additionally, the OIG found that the program personnel did not have necessary clearances to work in conjunction with the District, including the director, their family members, staff, and other individuals listed on monthly expenditure reports submitted to PDE. Lack of District required clearances increases the District's liability for any incidents that may occur whether on

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or off District campuses. It is essential that the director be in full compliance with District policies, which is fundamental in gaining the compliance of the entire program staff and fulfilling their obligation as a District partner.

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