

OFFICE OF INSPECTOR GENERAL

School District of Philadelphia

Investigative Report Synopsis

Introduction

In response to the findings of the Office of Inspector General (OIG) performance review from May 2022 titled “*Office of Transportation Services Management of Non-Bus Fleet Vehicles*,” the OIG initiated an investigation into all relinquished non-bus vehicles. Following our investigation, the OIG found that 1) Transportation lacks a formal vehicle relinquishment process; 2) relinquished vehicle records are in disarray which directly lead to the loss of approximately \$92,170 to the District; and 3) the lack of oversight allowed for a Transportation employee to purchase several relinquished vehicles which may violate the District’s Code of Ethics.

Applicable Policies

Vehicle Relinquishment

Section 1.2 of Policy 711, “*Non-Bus Vehicle Usage Policies and Procedures*,” and its Attachment states the following regarding Transportation’s responsibilities, “[w]ithin the framework of an authorized annual purchasing plan, Transportation is responsible for vehicle acquisitions and relinquishments. Relinquishment decisions are based on a cost-benefit analysis, with appropriate communication to the affected department. The annual district-wide budget process will determine expenditures for fleet acquisitions and maintenance.”

Section 14.4 of Policy 711 states the following regarding vehicle and equipment relinquishments, “Transportation maintains vehicles and equipment until they are no longer safe and operable. Relinquishment decisions are made solely by the Department of Transportation Services, with the appropriate level of consultation with user departments about the operational impact of relinquishment balanced against the cost of repair. Transportation shall communicate relinquishment decisions as far in advance as possible to ensure that affected departments have ample opportunity to develop contingency plans.”

Pennsylvania Vehicle Code, 75 Pa.C.S. § 6308(d)

According to the Pennsylvania vehicle code, “every salvor, miscellaneous motor vehicle business, salvage motor vehicle auction or pool operator, scrap metal processor, **garage, repair shop** and dealer shall keep accurate records of the purchase, acquisition, sale and disposition of vehicles.” (Emphasis added). As part of these records, the entity is required to “include a corresponding customer receipt with the vehicle identification number, make, year and type of vehicle, from whom the vehicle was purchased or acquired, sold to or disposed of, the date,

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location and place purchased, acquired, sold or disposed of and the amount paid or other tender exchanged for the purchase, acquisition, sale or disposition.” Additionally, the records “shall also include a photocopy of a government-issued form of photo identification from the person towing or selling the vehicle, driver's license number and location from where the vehicle was towed or sold and the business name, address, license number and contact number of the towing company. Further, these records shall be available on the premises of the salvor, miscellaneous motor vehicle business, salvage motor vehicle auction or pool operator, scrap metal processor, **garage, repair shop** and dealer and open to inspection by any police officer or authorized department employee.” (Emphasis added). The business or entity is required to keep the records for “three years from the date of disposition of the vehicle.”

Improper Employee Conduct

According to the District’s *Employee Code of Ethics* (Attachment for Policy No. 300), an employee must avoid any improper influence or potential conflict of interest. A core principle of the District’s *Employee Handbook* (handbook) states, “In carrying out the functions of their positions, all District employees are expected to avoid conflicts of interest or any appearance of impropriety.” (Emphasis added). Further, the handbook defines a conflict of interest as “use by an employee of the authority of his/her office or the use of any confidential information received through his/her employment for the private pecuniary benefit of the employee.” The handbook considers an employee’s “use of their authority, discretion, powers, and resources arising from their public position only to advance public interests and not to attain personal or private gain or advantage for themselves or any other person” as an improper use of their position. “A District employee shall neither engage nor have any interest, financial or otherwise, direct or indirect, in any business transaction or professional entity, either as a director, officer, partner, trustee, employee, or manager in that entity which conflicts with or impairs the proper discharge of official duties or which could bring disfavor or disrespect upon the employee of the District.”

Background

This investigation focused on the period from October 2016 to June 2022 and included at least 210 unique vehicles that were recorded as relinquished by the District. The OIG reviewed documents and records from various internal and external resources and interviewed employees, third-party vendors, and members from other related agencies. These sources included the District’s Transportation Department, three handwritten “scrap lists” from the District garage, the District’s vehicle record management vendor Automotive Rentals, Inc (ARI), the District’s vehicle GPS provider VEONow, sales records from the District’s contracted vehicle auction house, receipts from a non-contracted scrap yard, and database inquiries through several law enforcement agencies. The vehicle population was difficult to reconcile due to conflicting information across all of the various records.

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ARI is the District's vehicle maintenance system. It can be used to track who is assigned to a vehicle, vehicle maintenance, accident information, and provides other vehicle diagnostic tools. VEONow is a real-time location tool used by the District to track buses and cars. VEONow operates on a cloud-based GPS platform that enables the real-time tracking of vehicle location, speed, and route adherence. Since 2018, the District has been in a no-cost contract with a vehicle auction house for the removal and auction of aging or inoperable vehicles. In addition to this vendor, the OIG also spoke with employees from a non-contracted scrap yard where several District vehicles were scrapped from 2016 to 2022. Transportation employees stated they used the non-contracted scrap yard to scrap vehicles due to its proximity to the District garage and acquaintance with the owner.

From each of these vendors, the OIG requested information related to the relinquishment of District vehicles. After reviewing records and comparing data, investigators discovered many inconsistencies and voids. As a result, investigators contacted various law enforcement agencies for additional vehicle information, including records of insurance theft claims, reports of salvaged vehicles, and additional vehicle information from license plate readers.

Based on a review of all records and information from the above listed agencies, the OIG found the District lacks 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.

OIG Investigation

Transportation lacks formal procedures for the relinquishment of vehicles.

The OIG interviewed multiple Transportation representatives to gain an understanding of Transportation's policies and procedures pertaining to the relinquishment of vehicles. Though the Attachment to Policy 711 outlines what is generally required when a vehicle is relinquished, Transportation employees who were interviewed were not aware of any procedures. Anecdotally, they relayed their process and provided little supporting documentation and no check lists or reports.

Based on experience, one former employee explained that the vehicle relinquishment process begins with the vehicle being sent to a District garage for evaluation by garage employees. Informally, disposal consists of scrapping a vehicle because of damage or other major issues or selling through auction a vehicle that has aged out of the fleet or has high mileage but is still operational. Yet, investigators learned there is no specific dollar amount of damage or required repairs that would trigger the process to dispose of a vehicle, and there is no formal cost-benefit analysis in accordance with the Attachment. Though the above mentioned informal analysis is conducted, it is not recorded anywhere.

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There is only an informal process to prepare a vehicle for disposal, which is not memorialized or documented in any form such as a checklist. Garage employees indicated that they prepare a written document when determining whether a vehicle should be relinquished, but there is no official form. Transportation employees could not provide any of these forms or documents to the OIG as supporting documentation for relinquished vehicles.

Since 2018, the District has contracted with an auction house to sell vehicles that are deemed operational but exceed their useful life. The District vendor has a robust process to auction off vehicles and costs the District nothing save for nominal fees such as processing and pictures. Prior to the District's contract with this particular vendor, Transportation had no formal policy or procedures pertaining to the relinquishment of vehicles via auction or a consistent way to sell vehicles. In contrast, the current vendor provides the District with invoices, proof of payment, sold vehicle lists, and other important vehicle information. As for non-operational or scrapped vehicles, the current vendor also conducts auctions with a process akin to auctions for operational vehicles. Once the title is transferred, payment is sent to the District.

OIG investigators found that several vehicles in the scope of this investigation were scrapped by a non-contracted scrap yard which presented a multitude of issues. First, Transportation employees stated that the District received no money for scrapping vehicles because the nominal cost to have the non-contracted scrap yard tow the vehicle off the District lot was worth more than the vehicle itself. However, investigators contacted several scrap yards in Philadelphia and asked for estimates on vehicles that were allegedly scrapped by the non-contracted vendor. Despite being told that the vehicles had nominal value, investigators received estimates of \$300 to \$800 per vehicle.

Next, at least 19 vehicles were scrapped by the non-contracted vendor during the course of this investigation, but upon request, Transportation was only able to produce seven receipts. These seven receipts were questionable at best and fraudulent at worst. The receipts merely indicated a vehicle had been "scrapped [sic]" and it appeared that all of the receipts had been written at the same time, with one receipt appearing to have carbon copy transfer showing a list of the seven vehicles in question. To make matters worse, when employees of the non-contracted vendor were questioned about the receipts, they indicated that the business had not done business with the District since 2020 yet had no explanation for dates on the receipts from 2021.

Furthermore, there was one vehicle for which a receipt from the non-contracted vendor was produced that indicated a vehicle was scrapped but it was actually sold at auction by the District's current vendor at an earlier date. This puts into question the validity of these documents and the credibility of all those involved in the process to scrap or sell District vehicles. Since the District has had a contract to scrap vehicles with its current vendor since 2018, it is unclear why the District used any other company to dispose of vehicles.

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The owner of the non-contracted scrap yard did not cooperate with the OIG investigation and failed to produce any documents or receipts for the remaining 12 vehicles they allegedly scrapped. The OIG discovered that the business had been suspended from salvage operations for a ten-year term by the Pennsylvania Department of Transportation, and the suspension ranged from 2013 to 2023. This timeframe covers the 19 vehicles the District allegedly scrapped with this scrap yard. Thus, any District vehicles scrapped by the non-contracted scrap yard during this investigation were done so in contravention to their suspension.

Overall, there is no formal process with accompanying reports, workflow tasks, or direction as to where any monetary deposits are to be sent particularly if cash is involved when selling or scrapping a vehicle. Of particular importance, with the exception of vehicles sold through the District's current vendor, the relinquishment process lacks consistency and oversight ensuring that a vehicle is actually inoperable or needs to be sold and then tracking that vehicle's progress through the disposal process. Though vehicles are large, they are transient by nature and can be lost in the shuffling process of relinquishment. Such opportunity leads to the potential for theft, general mismanagement of vehicles and money, and poses a corruption hazard.

Transportation does not effectively manage fleet records and vehicle dispositions.

The District uses an online platform, ARI, to manage fleet operations, including tracking active vehicles and assigned drivers. The fleet management platform provides instant access to real-time information about the fleet through dashboards, key performance indicators, and alerts helping to centralize fleet data and identify opportunities for improvement. Despite the investment in a vehicle management system, Transportation continues to primarily use hardcopy, paper documents to record vehicle information, which is housed in "vehicle maintenance folders" at the garage. Transportation indicated that the folder should contain information related to disposition if the vehicle is auctioned or scrapped, but investigators quickly learned that information in the folders, ARI records, and across other District systems was missing, inaccurate, or could not be found.

OIG investigators compared the ARI records to the vehicle maintenance folders for the 210 vehicles in this investigation and found the following discrepancies. No vehicle maintenance folder could be located for seven vehicles. Of the 203 vehicle maintenance folders that were provided, 196 did not contain any vehicle disposition information. Only seven folders contained receipts as to disposition, but these seven receipts all from the non-contracted scrap yard were questionable at best. As mentioned earlier, these receipts lacked specific details of the disposal transactions and the timing of their production was suspicious. While Transportation supervisors agreed that the garage should be using ARI to track vehicle relinquishments rather than or in addition to the hardcopy files, investigators were told Transportation initially did not know ARI had such management capability.

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Next, OIG investigators compared ARI vehicle records to three handwritten scrap lists and records from the auction house. ARI only captured 81 vehicles as relinquished, which is less than half of the known relinquished vehicle population from our review period. Of these 81 vehicles, 11 vehicles were not listed on the scrap lists or any of the documents provided by Transportation. Two additional vehicles from ARI records had a “sold date” between March 2022 and June 2022, but the District’s current vendor confirmed that no District vehicles were auctioned by them after March 11, 2022. Further, these two vehicles had no receipts or disposal information in their maintenance folders. Since Transportation is not under contract with any other vendors to sell or auction vehicles, any vehicle recorded as sold between March 11, 2022 and June 2022 would have been disposed of by an unauthorized vendor or the relinquishment information is simply inaccurate or unknown.

Transportation tracks relinquishment dates on the handwritten scrap lists. However, these dates are not associated with a designation as to whether the vehicle was removed from service, auctioned, picked up by the auction buyer, or scrapped. Of the vehicles documented on one or more of the handwritten scrap lists, there were 78 vehicles that did not even have a date listed. Admittedly, Transportation employees did not transcribe the information from the handwritten lists into ARI. To make matters worse, 19 vehicles appearing on the scrap lists were designated as “done” but investigators found these vehicles were actively being used. For example, one vehicle which was allegedly scrapped by the non-contracted scrap yard in 2016, remains active as of the date of this report. OIG investigators also learned that Transportation occasionally used the scrap lists to track vehicles that actually came in only for inspection or repair and were subsequently marked “done” when returned to the fleet.

There were several other troubling inconsistencies regarding the scrap lists. First, 38 vehicles appeared more than once across all three scrap lists. For example, one vehicle was recorded as sold by the District’s current vendor in November 2019 and recorded as scrapped by the non-contracted scrap yard in March 2021. Transportation could not explain why the receipt from the non-contracted scrap yard existed for this vehicle nor why it appeared on the scrap list more than once. These inconsistencies raise questions of accuracy and validity regarding relinquishment and the fate of each vehicle.

The current vendor provided investigators with titles, invoices, and a list of all 61 non-bus vehicles sold during auctions within the scope of our investigation. However, investigators could only match 53 vehicles from the current vendor to the handwritten scrap lists and ARI records. Despite District records capturing only 53 vehicles as sold by the current vendor, all 61 sales were verified as relinquished by the Transportation Finance Director. Below is a chart indicating the total payments the District received from the current vendor for auctioned vehicles:

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Current Vendor – Non-Bus Vehicle Auction Summary		
Auction Date	Payment Received	# of Vehicles
11/20/2019	\$1,920	13
12/9/2021	\$10,620	28
12/13/2021	\$22,250	10
3/11/2022	\$8,469	10
Total	\$43,259	61

Because record keeping was so poor, of the 210 relinquished vehicles in this investigation, only the 61 vehicles sold by the current vendor could be verified. Additionally, 19 active vehicles were erroneously included as relinquished. Thus, the status of the other 130 vehicles could not be verified nor could the District account for any payments received for those vehicles. Also troubling, investigators discovered that the vast majority of relinquished vehicles were still registered to the District.

In order to calculate the potential loss to the District for the 130 relinquished vehicles that were unverified, the OIG averaged the amount per vehicle received from the current vendor from the auction of District vehicles from 2019 to 2022. The average amount per vehicle was \$709. Based on an average amount from the vehicles sold at auction, investigators computed that the 130 vehicles where disposition could not be determined amounted to a loss of revenue of approximately \$92,170.

A District employee purchased several relinquished vehicles at auction which creates the appearance of impropriety.

According to the District’s *Employee Handbook*, “all District employees are expected to avoid conflicts of interest or any appearance of impropriety.” Investigators found that a district employee purchased four District vehicles from two auctions. According to the vehicle descriptions, each vehicle was depicted as an “inoperable, rebuildable vehicle with clean title.” The employee paid a total of \$5,355.20 for the four vehicles. The employee confirmed the vehicle purchases and that the parts were intended to fix up other vehicles they owned. The employee stated that they were not aware of the vehicle auctions until a representative from the auction house came to the District to take photos of the vehicles going up for auction.

Employees who have knowledge of the condition of District vehicles could potentially use their position to influence the disposition of a vehicle and then purchase the vehicle when it is relinquished. There is no indication that such influence was used here or that the employee used their position in any way to influence the relinquishment of these vehicles. Yet the appearance of impropriety exists because of their position in the District and their knowledge of the non-bus fleet.

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Conclusions and Recommendations

The OIG substantiated that formal procedures do not exist for relinquishing a vehicle which allowed for non-uniformed disposal of vehicles, lack of inventory control, and poor record keeping. As an added result, Transportation failed to potentially recoup significant funds from the relinquishment of 130 vehicles from 2016 to 2022. The lack of inventory control amounts to a potential loss to the District of approximately \$92,170. The OIG recommends that any informal procedures be revisited, revised, and formalized to outline the appropriate steps required to prepare a vehicle for relinquishment, in accordance with the policy, which should include a vehicle cost-benefit analysis.

Aside from poor record keeping, Transportation is potentially in violation of Pennsylvania law which requires garages and repair shops to maintain vehicle records for three years from the disposition date of a vehicle. According to motor vehicle code, customer receipts, copies of the transferred title, driver's licenses with photo identification from the person disposing of the vehicle, and the business information of the company disposing of the vehicles must be maintained in the vehicle records. Transportation was unable to provide these items for every relinquished vehicle. The OIG recommends that Transportation take appropriate steps to come into compliance with state laws.

The OIG substantiated that Transportation used a non-contracted scrap yard to dispose of vehicles, but that business was suspended by the Pennsylvania Department of Transportation from performing any scrap or salvage work from 2013 to 2023. The exact number of District vehicles scrapped by the non-contracted scrap yard could not accurately be determined, and the OIG could not properly assign value to any vehicles they scrapped. The District should calculate the value of vehicles to be relinquished and should be diligent about the manner of disposal using District-contracted vendors.

The OIG substantiated that a Transportation employee purchased relinquished District vehicles which may have been a violation of the employee Code of Ethics. In order to prevent any real or apparent conflicts of interest including the appearance of impropriety, the District should consider requiring disclosures from employees who purchase relinquished District vehicles or prohibit the conduct based on the Code of Ethics.

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