



ANNUAL REPORT 2024

Office of Inspector General
School District of Philadelphia

Cynthia Irizarry
Inspector General

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OUR MISSION

To safeguard the integrity and efficiency of the School District of Philadelphia, the Board of Education established the Office of Inspector General (OIG). As an independent watchdog, the OIG is empowered to investigate and report on fraud, waste, and abuse within the District. Serving the nation's eighth-largest school district, with over 22,000 employees and nearly 200,000 students across 330+ schools, the OIG plays a crucial role in ensuring responsible stewardship of taxpayer funds. Reporting directly to the Board of Education, the OIG conducts impartial investigations, reviews, and audits of District operations, policies, and procedures, including those of external entities conducting business with the District.

To maintain its critical independence and autonomy, the OIG provides a secure and confidential channel for employees and the public to report fraud and misconduct without fear of reprisal. In October 2023, the Board further solidified the OIG's operational independence, reinforcing its authority to initiate investigations. Along with that authority came a clear mission: to promote integrity throughout the District, to support transparency and accountability, and to implement meaningful mechanisms for addressing, identifying, and resolving patterns of improper conduct. The OIG is committed to implementing effective mechanisms for identifying and resolving patterns of improper conduct.

The OIG remains a dedicated partner to District personnel, working collaboratively to ensure accountability and fiscal responsibility, and to proactively deter and detect fraud, waste, and abuse.

OUR OFFICE

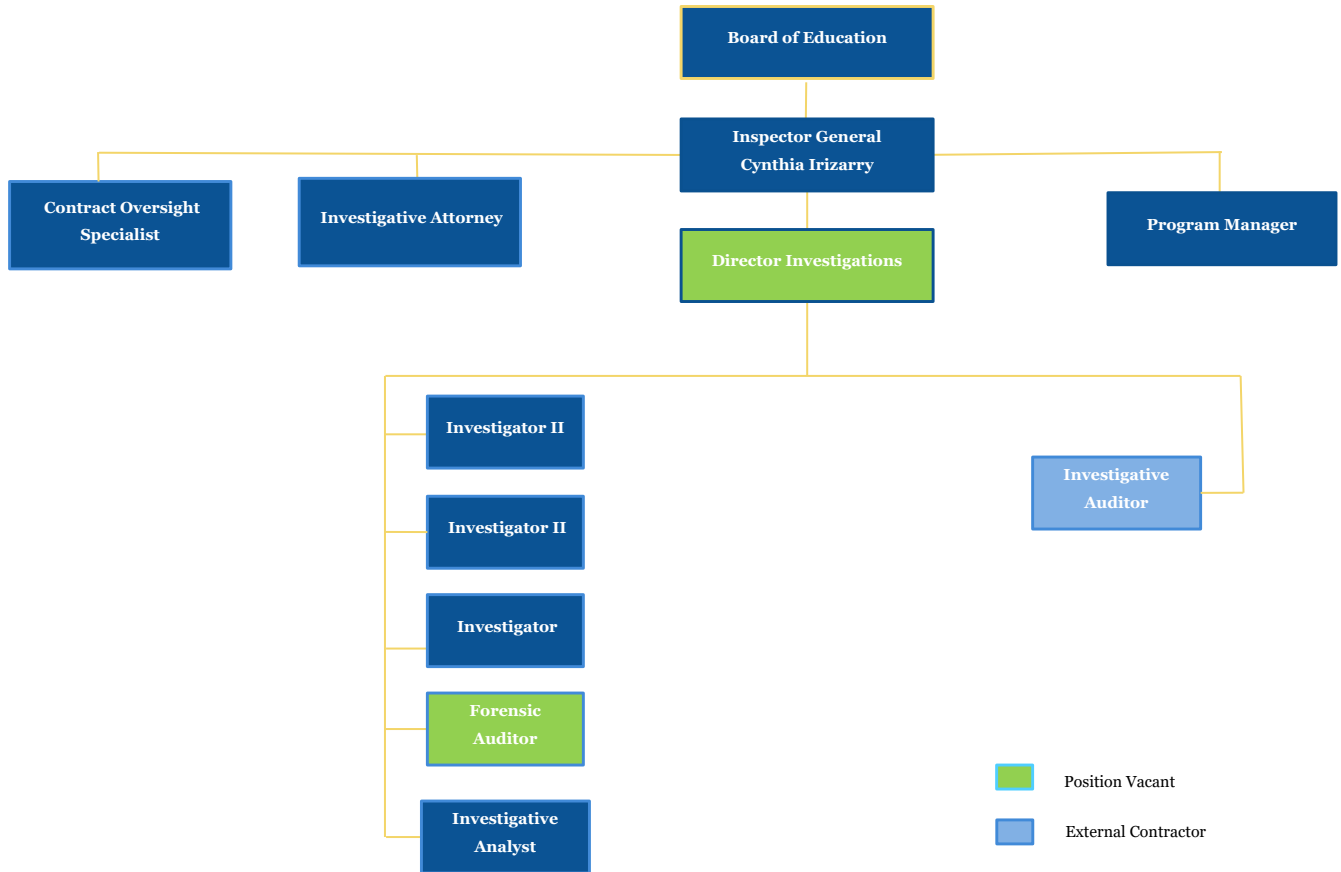
In October 2024, the OIG mourned the sudden loss of John Saraceno, Director of Investigations. Mr. Saraceno served the District from 2015 until his passing, leaving a lasting impact on the office. His unwavering support of the OIG's mission is remembered, and this year's report is dedicated to his memory.

This report also marks the final full year of service for Inspector General Cynthia Irizarry, with a new Inspector General to be appointed in 2025.

Despite the Director position remaining vacant, the OIG strengthened its team in 2024. The Office hired two investigators with over 50 years of experience between the two, and one data analyst. The office has held to stringent standards for staffing as all 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.

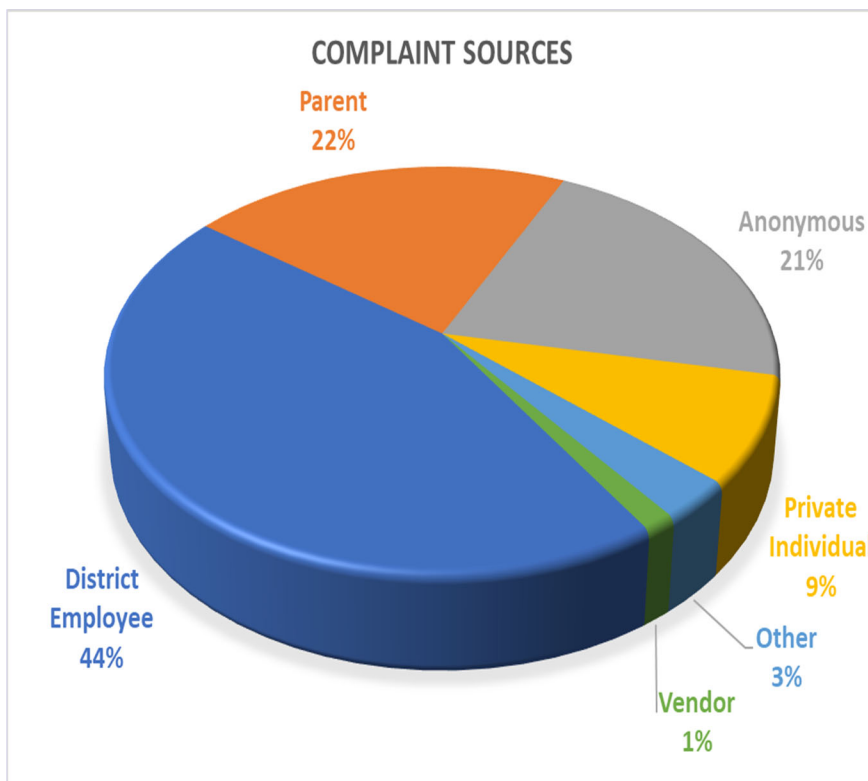
Each year, employees who hold certifications under the AIG must complete multiple hours of continuing education credits. In November of 2024, several of the investigative staff traveled to New Orleans for the annual training conference presented by the AIG. The focus of this training conference was the Art of Oversight, which examined navigating challenges and exploring new and innovative methods to investigate and report on waste, fraud and abuse which continues to be a key tenet of the Office.

Office of Inspector General Organization Chart



OUR WORK PROCESS

The OIG relies on complaints made by the public for the majority of the work the OIG investigates, in the 2024 year the OIG received **226** complaints. Our complaints can come from a variety of different manners from our online complaint form, to a 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 form 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 for 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.

An evaluation may result in any of the following:

- The complaint being referred internally to the school district,
- A request for additional information,

- No additional action can be taken and the information is retained for intelligence purposes¹, or
- 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 226 complaints received in 2023, the OIG referred 84 of them to either the District or other partners for investigation or for informational purposes. 48 complaints were opened as preliminary investigations of which 23 were opened as full investigations.

Complaints: End of Calendar Year 2024	
Total number of Complaints	226
Complaints referred	84
Investigation	48
No additional action taken	93

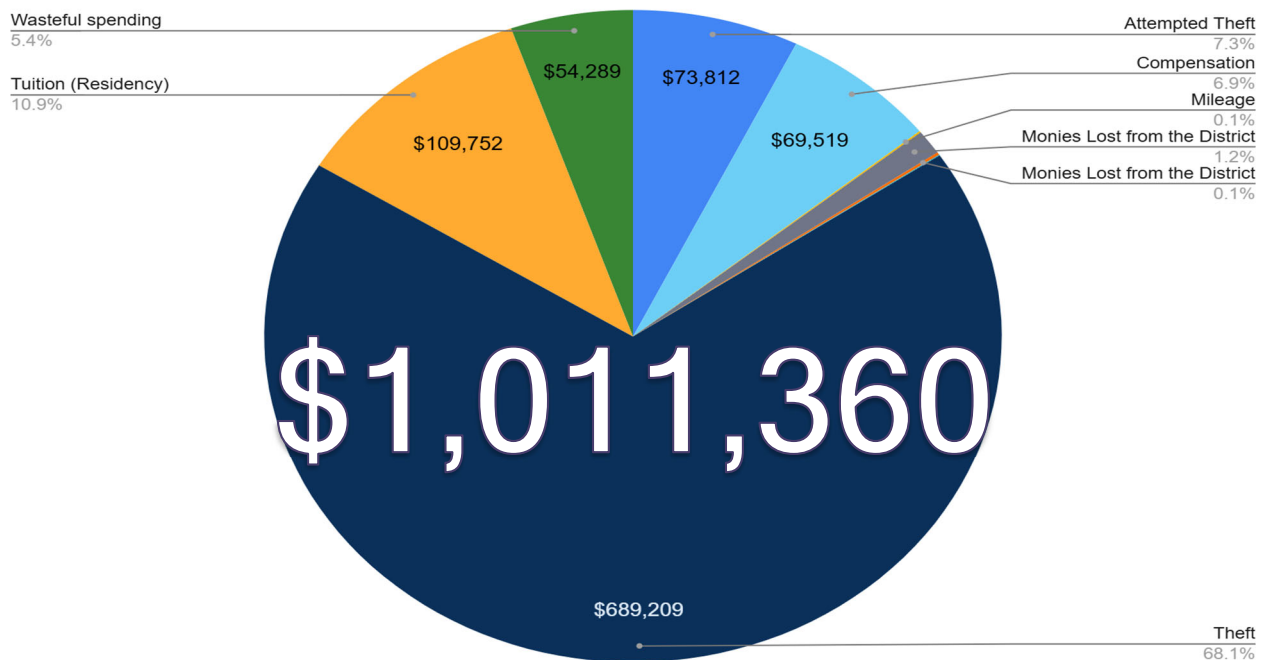
During the year, OIG staff closed 47 investigations. As a result of our completed investigations and reviews, the OIG made 58 policy and procedural recommendations, issued 10 investigative reports, and nine recommendation letters.

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

Although beyond the scope of this annual report, the District's early 2025 announcement of a projected fiscal cliff underscores the critical importance of fiscal responsibility. To avoid significant cuts and layoffs, the District plans to expend \$306 million in reserves. While the current \$4.6 billion budget appears substantial, it falls significantly short of the District's actual needs by potentially hundreds of millions of dollars. This reality makes every dollar of the District's budget crucial for its effective operation. The OIG's investigations are designed to safeguard these essential funds.

The Office reviewed over \$101 million dollars of District funds during the calendar year. In addition, the graph below illustrates the potential and, in some cases, realized savings from investigations completed this year, totaling \$1.01 million.



- Numbers are not inclusive of savings due to discipline or termination.

OUR CASES

The OIG remains committed to ensuring taxpayer dollars are spent responsibly, efficiently, and transparently. In pursuit of this mission, the OIG's investigations this year provided oversight of a significant amount of District funds relative to the office's annual funding. This demonstrates the OIG's critical role in safeguarding taxpayer investments. The following cases highlight the impactful work produced by the office during the year.

Vehicle Misuse:

During a review the Office was conducting, the OIG discovered potential misuse of a District vehicle, leading to an investigation into the vehicle's assigned employee. While conclusive abuse could not be substantiated due to conflicting information, the investigation revealed significant systemic deficiencies: the absence of a District policy defining reasonable commuting distance for take-home vehicle privileges and the failure to maintain accurate vehicle assignment records. This resulted in substantial, undocumented mileage and fuel consumption on a District vehicle. Therefore, the OIG recommended the District establish a clear commuting distance policy for vehicle privileges and implement improved record-keeping within its fleet management and GPS tracking system.

Student Activity Fund Mismanagement:

In June of 2024, the OIG began an investigation pertaining to allegations of missing funds from a school's Student Activity Fund (SAF) following the abrupt departure of the former principal. The investigation revealed significant deficiencies in the principal's management of the SAF, including inadequate record-keeping, improper safeguarding of collected money, and untimely deposits. As a result, at least \$12,341.54 could not be accounted for, leading to unpaid vendors. While the exact source of the loss remains undetermined, the principal's failure to adhere to established accounting procedures significantly increased the risk of mishandling funds. The investigation also highlighted a lack of adequate training for staff regarding SAF policies and procedures. The OIG recommended mandatory annual training for all relevant personnel, strict

adherence to deposit procedures using standardized forms, and the implementation of a controlled access system for the safe.

The OIG conducted a performance review of the Student Activity Fund (SAF) at a high school, prompted by allegations of mismanagement. The review, covering transactions from September 2022 to April 2024, found significant non-compliance with the SAF Manual, including improper use of the Student Body Activity Account (SBAA), inadequate record-keeping, and failures in budgeting and competitive bidding processes. The review also highlighted a lack of training and familiarity with SAF policies among school staff. The OIG identified 12 non-compliant transactions totaling \$4,458.86. The OIG recommended annual training for relevant staff, regular updates to the SAF Manual, increased on-site presence of the School Operations Officer (SOO), stricter adherence to budgeting and procurement procedures, continued development of school-specific guidelines for the school store, and increased use of School Cash Online to minimize cash handling.

Theft of District Funds:

The OIG investigated two instances of suspected business email compromise resulting in fraudulent ACH payments totaling \$686,184.39. In both cases, payments were made to fraudulent accounts due to failures to adhere to or lack of knowledge about industry best practices for verifying vendor payment information. Specifically, the District failed to consistently confirm vendor requests for ACH payment changes directly via telephone. The investigation revealed a lack of formalized policies and procedures across all relevant District offices, and inadequate training on ACH fraud prevention. The OIG recommended formalizing ACH payment procedures District-wide, implementing mandatory ongoing ACH fraud detection training for relevant employees, ensuring proper staffing to handle ACH requests, and implementing a secure method for vendors to submit ACH information. The OIG also emphasizes the need for regular phishing tests to evaluate the effectiveness of email security training.

Employee Misconduct:

The OIG investigated allegations of improper use of District funds and resources related to a gala hosted by a non-school organization. The investigation revealed that District personnel, acting as officers of the organization, used District email accounts during work hours to promote the event. Further, the organization was improperly established as a District vendor, bypassing standard procurement controls, which resulted in \$13,500 of District funds being used to purchase gala tickets. A high-ranking District official, who held an executive position in the organization, approved purchase orders for these tickets, violating ethical guidelines. The gala, which lacked a professional development component and included an open bar, did not provide a direct benefit to the District. The OIG concluded that the actions of District employees violated ethical policies regarding conflict of interest and the use of District resources. The OIG recommended disciplinary action against the involved employees, the removal of the organization as a District vendor, implementation of stricter vendor self-registration requirements, a policy governing the purchase of tickets for non-District events, and a supplemental financial disclosure requirement for high-level employees to identify potential conflicts of interest.

Residency:

The OIG conducted three investigations into allegations of non-resident students attending District schools. In each case, parents provided outdated or false Philadelphia residency information and admitted to residing outside the city while their children were enrolled. These actions violated District policy and Pennsylvania law. The OIG recommended that the District bill the parents for non-resident tuition, deny future enrollment without valid proof of Philadelphia residency, and revise enrollment policies to require periodic residency reverification, especially during key educational transitions and school transfers. The OIG also emphasized prioritizing enrollment for resident students and ensuring non-resident enrollment does not displace them. Further, the OIG recommended the District take steps to ensure school staff promptly report suspected or known residency violations.

The total amount the District should bill the parents across the three investigations is \$109,751.62, broken down as follows: \$38,946.82, \$10,352.64, and \$60,452.16.

Wage Continuation:

Wage continuation is a District program that provides short-term salary payments. This program is available to employees who experience extended absences due to illness or non-work-related injuries. Enrollment is optional. The OIG investigated allegations of wage continuation benefit abuse, where an employee was suspected of engaging in remunerative work at another school district while simultaneously receiving District benefits. Records indicated the employee utilized a significant portion of their available wage continuation time, despite discrepancies in medical documentation and subsequent "no pay" status. The District continued to provide wage continuation benefits through the employee's eventual resignation. Further investigation revealed concurrent employment at another school district for a substantial portion of the benefit period, constituting a direct violation of the District's Personal Illness Leave Policy. During an interview, the employee admitted to this dual employment, offering no explanation for the failure to properly resign from the District. The OIG concluded that the employee's actions resulted in approximately \$27,326.74 in unwarranted costs to the District, including salary, benefits, and pension contributions. Therefore, the OIG recommended the District pursue appropriate disciplinary action and seek full restitution for all payments made during the period of concurrent employment.

Vendor Misconduct:

The OIG investigated allegations of a vendor billing the District for bus attendants who were not present, stemming from a 2015 incident where the District paid for nine attendants but only two were identified. The vendor, contracted to provide bus services and attendants, was required to submit weekly attendant reports and maintain records for six years post-contract. However, the vendor admitted to disposing of these records, and the District confirmed they did not enforce the submission of required reports. This lack of documentation prevented the OIG from verifying whether the District received the services for which it paid approximately \$15 million. While the 2015 incident could not be fully substantiated, the investigation revealed significant record-keeping failures by both the vendor and the District. The OIG recommended the District strictly adhere to contractual obligations, including the collection and maintenance of required records, and insert penalty clauses for contractors who fail to comply.

Credit Recovery:

The OIG investigated allegations of improper supplemental pay claims by a teacher running a credit recovery program, due to inconsistencies in program documentation and timekeeping records. The investigation revealed significant discrepancies between student attendance records and program sign-in sheets, as well as minimal student progress in the online Edgenuity program. The teacher's Kronos timekeeping data also conflicted with her submitted supplemental pay sheets, raising concerns about her actual presence during the program's scheduled hours. Though conclusive proof of non-performance was not established, the OIG identified substantial weaknesses in the District's oversight of the credit recovery program. The OIG recommended implementing stricter timekeeping procedures, formalizing program policies and procedures, reassessing the necessity of daily in-person Edgenuity programs, and reinstating program guidelines within the District's general marking guidelines to ensure accountability and improve student success.

OUR FUTURE

The year 2025 is poised to bring growth and change to the office. Following the loss of John Saraceno, the Director of Investigations position remained vacant throughout 2024. At year's end, a reorganization and restructuring proposal was submitted for approval. These changes, coupled with the appointment of a new Inspector General, may present challenges as the office navigates its transition. However, even amidst these transitions, the OIG's strength lies in its staff—highly qualified individuals who remain resolutely committed to truth, accountability, and public service.

OUR CONTACT INFO

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