

**OFFICE OF THE INSPECTOR GENERAL
CITY OF BALTIMORE**



**Isabel Mercedes Cumming
Inspector General**

**Investigative
Report Synopsis**

Addendum to OIG Case # 2018-0871

Issued: December 11, 2018

CITY OF BALTIMORE

CATHERINE E. PUGH, Mayor



OFFICE OF INSPECTOR GENERAL

640 City Hall
100 N. Holliday Street
Baltimore, Maryland 21202

December 11, 2018

Dear Citizens of Baltimore City,

The Office of the Inspector General (OIG) released an initial Investigative Report Synopsis on September 12, 2018 with respect to OIG Case #2018-0871. The synopsis reported on the OIG's investigation of the Retirement Savings Plan's (RSP) use of retirement forfeiture account funds for the renovation of offices and the circumstances that surrounded the renovation. As a result of the initial synopsis, the OIG received additional complaints that the former Executive Director of the ERS, who was concurrently Executive Director of the RSP, oversaw previous renovations to the ERS offices in 2016. The OIG conducted an investigation of the prior ERS renovation and submitted an addendum to our original report. What follows is the public synopsis of the Addendum to the Report of Investigation.

The mission of the OIG is to promote accountability, efficiency, and integrity in City government, as well as to investigate any fraud, financial waste, and abuse in City government. The OIG investigation found that in 2016, the ERS spent \$298,678 to renovate offices on 12th and 13th floors of 7 East Redwood Street. Interviews with ERS employees and a member of the Board of Trustees indicated that renovations to the offices were completed due a perceived lack of security. The Director of the ERS was concerned about disgruntled current or former City employees, upset with their benefits, accessing the offices. The renovation included the installation of security systems on both floors; however, neither the ERS, nor the building's property management company, recalled a single instance of a security concern. The OIG also found that the ERS office design remained the same from when their lease commenced in 2004 until the renovation in 2016.

In addition to installing a security system, the ERS purchased \$26,685 worth of furniture. Most of the furniture was purchased for common use areas such as reception and the boardroom; however, the former Executive Director of ERS was the only employee to receive new furniture for their private office, including a sofa and lounge chair. There were also \$15,579 of "change orders" that included \$4,500 worth of crown molding in the boardroom and reception areas, \$2,900 worth of chair rail moldings for private offices and the boardroom, and \$1,704 spent to fabricate a hallway sign to mark the 13th floor office, the only office on that floor.

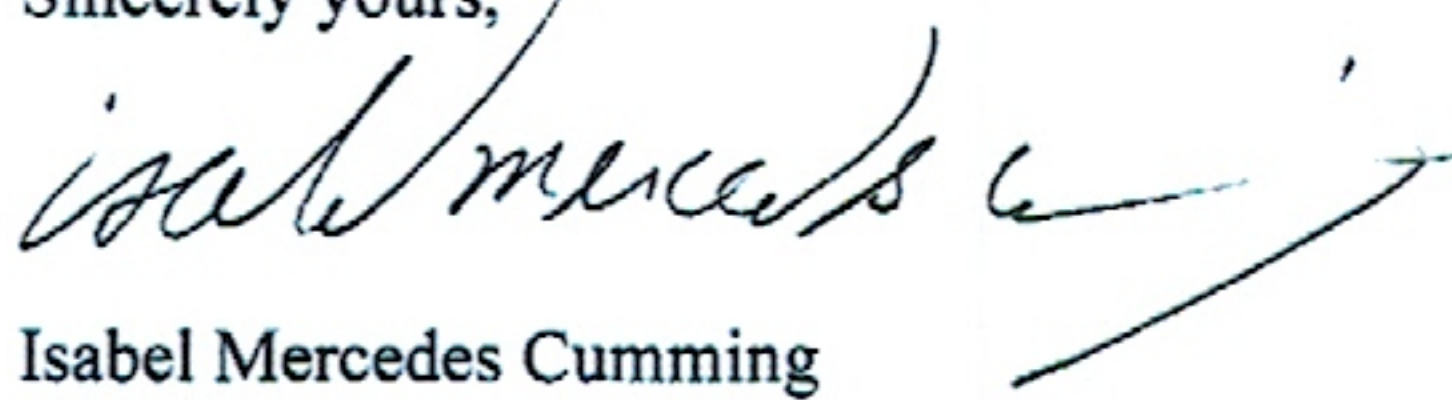
The investigation revealed the source of funds for the renovation was from the Cash Reserve Account held with BNY Mellon. These funds are derived from income generated off investments, as well as the City's annual contribution from the General Fund into the ERS. Article 22 of the Baltimore City Code states that the Board of Trustees shall discharge its duties for the exclusive purpose of (1) providing benefits to members and beneficiaries; and (2) defraying reasonable expenses of administering the Retirement System. The OIG confirmed that all administrative expenses of the ERS are paid from the Cash Reserve Account and that the Board of Trustees unanimously voted to approve the scope and cost of the renovation.



Although the ERS Board of Trustees approved the renovation, it still needed to be approved by the Board of Estimates (BOE) because it exceeded \$50,000 in total expenditures and included contracts valued over \$25,000. The OIG did not find any record of the ERS presenting the renovation to the BOE, and records indicate that the former ERS Executive Director purposefully went around the BOE. During a Board of Trustees meeting on October 15, 2015, the former Executive Director was asked by a trustee if the ERS was following City procurement rules. The former Executive Director replied the ERS would utilize the building's management company, Cushman & Wakefield (Cushman), who was not required to follow City policy. The OIG investigation found that Cushman entered into renovation contracts on behalf of the ERS. This provided incorrect justification for ERS management not to seek BOE approval for the renovation.

The OIG referred this matter to the Mayor and Chair of the Board of Trustees for corrective action. The Mayor's response is attached.

Sincerely yours,



Isabel Mercedes Cumming
Inspector General

Cc: Hon. Catherine E. Pugh, Mayor of Baltimore City
Hon. Bernard C. Young, President of the City Council
Hon. Joan M. Pratt, Baltimore City Comptroller
Honorable Members of the Baltimore City Council
Hon. Andre M. Davis, City Solicitor