

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



**Isabel Mercedes Cumming
Inspector General**

**Investigative
Report Synopsis**

OIG Case # 20-0020-I

Issued: February 13, 2020



OFFICE OF THE INSPECTOR GENERAL
Isabel Mercedes Cumming, Inspector General
City Hall, Suite 635
100 N. Holliday Street
Baltimore, MD 21202



February 13, 2020

Dear Citizens of Baltimore City,

The Office of the Inspector General (OIG) conducted an investigation regarding a towing company (Vendor) falsely reporting subcontractor payment information to the Bureau of Procurement (BOP). The complaint alleged that Vendor over-reported subcontractor payment amounts in order to appear compliant with the Minority and Women's Business Opportunity Office (MWBOO) goals outlined in the Citywide Police Requested Towing contract (the Contract).

Vendor was one of nine tow companies selected to perform towing services on behalf of the Baltimore City Police Department (BPD) under the Contract. The minority participation goals set for all vendors awarded the Contract were 10% Minority Business Enterprise (MBE) and 3% Women's Business Enterprise (WBE). These goals are applied to the gross revenue of the towing companies. Subcontractor payments are governed by Article 5, Subtitle 28-31 of the Baltimore City Code (The Code). The Code requires contractors to pay its MBE and WBE subcontractors within seven days of receipt of payment from the City. The contractor is also required to provide the City with documentary evidence to support subcontractor payments were made with revenue generated from the City contract.

Currently, MWBOO and BOP conduct annual compliance reviews of contracts. The OIG discovered noticeable differences in the two reviews. Compliance reviews facilitated by BOP include the analysis of overall vendor performance and confirmation of minority and women owned business participation. The OIG investigation found vendors provide subcontractor performance information via phone call or email at the request of BOP. The OIG obtained BOP compliance records for the Contract that revealed Vendor invoiced the City \$844,786 from July 2016 to February 2019¹. BOP's subcontractor payment records showed Vendor reported paying Subcontractor 1 \$130,036 and Subcontractor 2 \$61,181.74, during that period.

The OIG also obtained MWBOO's compliance review records that ranged from July 2016 through August 2019. MWBOO's compliance review focuses on evaluating the usage of minority and women owned businesses. According to MWBOO's records, Vendor received payments from the City totaling \$1,059,929 during the identified time frame. MWBOO's analysis found Subcontractor 1 was paid \$17,844.97 and Subcontractor 2 was paid \$21,425.24 by Vendor during the review period, significantly below the BOP findings. Specifically, based on the paid invoices from Subcontractor 1 and Subcontractor 2, MWBOO determined Vendor did not meet the required goals specified in the Contract. MWBOO found Subcontractor 1 participation was 1.68% and Subcontractor 2 participation was 2.02%, deeming Vendor non-compliant.

¹ Totals derived from a compiled list of three separate annual reviews conducted by BOP.

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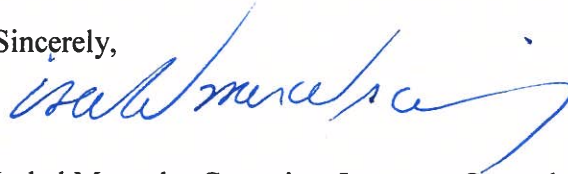
Table 2: Vendor reported payments vs. actual payments to subcontractors

Subcontractors	Reported by Vendor (BOP)	Actual Invoices (MWBOO)	Difference
Subcontractor 1	\$130,036	\$17,845	(\$112,191)
Subcontractor 2	\$61,182	\$21,425	(\$39,757)

The OIG investigation discovered BOP never requested or received any supplemental documentation to verify the accuracy of the subcontractor payment totals reported by Vendor. The OIG investigation also discovered the subcontractor payment amounts reported to BOP by Vendor included both paid and unpaid services in violation of The Code. According to The Code, the participation of a subcontractor cannot be counted towards a minority participation goal until the amount being counted has been paid to the contractor. The OIG found that from July 2016 to February 2019, Vendor paid its subcontractor's significantly less than what was reported to BOP. The OIG determined BOP failed to verify the subcontractor payments during three separate compliance reviews, deeming Vendor compliant when it was not. The OIG investigation determined that BOP's lack of an implemented compliance verification process allowed Vendor to over-report the subcontractor payments for three years.

Attached are the response from the Chief of the Minority and Women's Business Opportunity Office and Director of Finance.

Sincerely,



Isabel Mercedes Cumming, Inspector General
Office of the Inspector General

Cc: Hon. Bernard C. "Jack" Young, Mayor of Baltimore City
Hon. Brandon Scott, President, City Council
Hon. Joan M. Pratt, Baltimore City Comptroller
Honorable Members of the Baltimore City Council
Hon. Andre M. Davis, City Solicitor

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