

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



**Isabel Mercedes Cumming**  
**Inspector General**

**Investigative**  
**Report Synopsis**

OIG Case # 22-0002-I

Issued: January 31, 2023



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



January 31, 2023

Dear Citizens of Baltimore City,

The mission of the Office of the Inspector General (OIG) is to promote accountability, efficiency, and integrity in City government, as well as to investigate complaints of fraud, financial waste, and abuse.

The Office of the Inspector General (OIG) received a complaint in March 2021 alleging a contractor (Vendor) fraudulently reported utilizing a subcontractor as a certified Minority Business Enterprise (MBE)<sup>1</sup> on a Department of General Services (DGS) contract. The OIG began investigating the complaint after the Minority and Women's Business Opportunity Office (MWBOO) completed a review of the matter and referred it to the OIG for further investigation.

## **BACKGROUND**

In 2018, DGS solicited vendors interested in performing services on a construction contract (Contract). The Contract solicitation required a commitment from bidders to utilize MBE and Women's Business Enterprise (WBE)<sup>2</sup> subcontractors at a percentage that equaled or exceeded the established participation goals. As required by the solicitation, the Vendor's bid included signed Statement of Intent (SOI) forms and an affidavit for MBE and WBE participation. The SOI establishes a signed agreement between the bidder and its selected MBE and WBE subcontractors for the percentage of work to be completed. According to the City Charter, Article 5, Subtitle 28, *Minority and Women's Business Enterprises*, a contractor that fails to comply with any provision could be subject to administrative penalties and outlines prohibited conduct that would constitute criminal penalties.

## **INVESTIGATION**

The Vendor submitted progress payment forms to DGS that documented the amounts paid to its subcontractors. Those progress payment forms also contained signatures for the MBE and WBE Subcontractors to confirm the listed payment amounts. At the end of the Contract, the Vendor provided a notarized certification form documenting its total MBE and WBE payments. According to these documents, the Vendor reportedly paid \$350,000 to MBE Subcontractor 1, \$162,583 to MBE Subcontractor 2, and \$120,000 to its WBE Subcontractor.

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<sup>1</sup> A Minority Business Enterprise or "MBE" is a business that is owned, operated, and controlled by one or more minority group members who have at least 51% ownership and is located in the Baltimore City Market Area.

(<https://law.baltimorecity.gov/mbes-and-wbes>)

<sup>2</sup> A Women's Business Enterprise or "WBE" is a business owned, operated, and controlled by one or more women who have 51% ownership and is located in the Baltimore City Market Area. (<https://law.baltimorecity.gov/mbes-and-wbes>)

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

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The Vendor still fell short of the MBE and WBE participation goals<sup>3</sup>, and as a result, the Vendor requested a waiver from MWBOO. Based on these reported payments to the two MBE and the WBE subcontractors, MWBOO approved the Vendor's request for a waiver of participation goals.

According to the Owner of MBE Subcontractor 1 (MBE Owner 1), they did receive a \$17,000 check from the Vendor, but it did not complete any work on the Contract and did not receive \$350,000. The MBE Owner 1 also denied signing the SOI and progress payment form that the Vendor submitted to the City, stating it was not their signature. Representatives from MBE Subcontractor 2, including the Owner (MBE Owner 2), stated they received slightly more than the amount reported on the progress payment form and reported the Vendor paid them approximately \$177,000.

The Owner of the WBE Subcontractor (WBE Owner) stated the company received less than the amount that the Vendor reported to DGS and MWBOO. The WBE Owner said the Vendor paid them \$50,000 for the work completed on the Contract and provided an invoice supporting the amount. The WBE Owner explained that the Vendor initially expressed there could be additional work on the project, but the Vendor later advised it no longer needed them to perform the extra labor. The Vendor claimed to the City that it submitted payments of \$120,000 to the WBE Owner.

Financial records obtained for the investigation revealed that the Vendor paid a total of \$17,000 to MBE Owner 1 and \$177,747 to MBE Owner 2. The Vendor issued three payments to the WBE Owner. According to the WBE Owner, a \$50,000 payment was for work on the City Contract, and a \$40,900 payment was for work on a contract unrelated to the City. An invoice provided to the OIG by the WBE Owner supports that the \$40,900 payment was unrelated to the City contract. The Vendor issued a third check made out to the WBE Owner for \$17,000.

According to the financial records reviewed and the statements made by MBE Owner 1 and the WBE Owner, the Vendor paid a combined \$403,000 less than the amount reported to Baltimore City on the progress payment and notarized certification form (Table 1).

*Table 1: Discrepancy between Vendor's reported payment and payment according to subcontractors & financial records*

<b><u>Subcontractor</u></b>	<b><u>Vendor's Reported Payments</u></b>	<b><u>Subcontractor Amount Received</u></b>	<b><u>Discrepancy Amount</u></b>
<b>MBE Subcontractor 1</b>	<b>\$350,000</b>	<b>\$17,000</b>	<b>- \$333,000</b>
<b>WBE Subcontractor</b>	<b>\$120,00</b>	<b>\$50,000</b>	<b>- \$70,000</b>
<b>MBE Subcontractor 2</b>	<b>\$162,583</b>	<b>\$177,747</b>	<b>+ \$15,164</b>

<sup>3</sup> MWBOO approved the Vendor's plan to utilize MBE Subcontractor 1 for \$350,000, MBE Subcontractor 2 for \$220,000 and WBE Subcontractor for \$121,140 to meet the required participation goals.

**REPORT FRAUD, WASTE AND ABUSE**

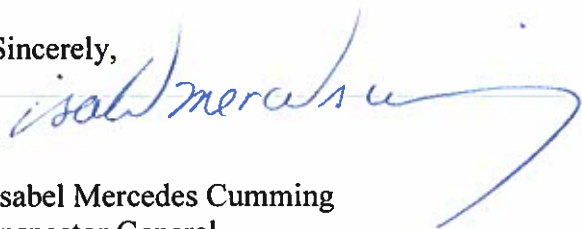
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Despite multiple requests for an interview, the Vendor did not cooperate with the investigation. Evidence uncovered during the investigation supports that the Vendor reported to the City false payment amounts of \$350,000 to MBE Owner 1 and \$120,000 to the WBE Owner. According to the financial documents reviewed and witness accounts, the Vendor overstated its payments to MBE Owner 1 and the WBE Owner by \$403,000.

The OIG turned these findings over to our law enforcement partners. The OIG also referred the matter to the Law Department to review these case findings for potential civil, administrative, or criminal penalties pursuant to the City Charter.

Sincerely,



Isabel Mercedes Cumming  
Inspector General

CC: Hon. Brandon M. Scott, Mayor of Baltimore City  
Hon. Nick Mosby, Baltimore City Council President  
Hon. Bill Henry, Baltimore City Comptroller  
Honorable Members of the Baltimore City Council  
Hon. Ebony Thompson, Acting Baltimore City Solicitor

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