

Department of Public Works

Response

Case #22-0040-I

CITY OF BALTIMORE

BRANDON M. SCOTT, Mayor



DEPARTMENT OF PUBLIC WORKS

Richard J. Luna, Interim Director
Abel Wolman Municipal Building, 6th Floor
200 N. Holliday Street
Baltimore, Maryland 21202

December 13, 2023

Isabel Mercedes Cumming, Inspector General
Office of the Inspector General
100 North Holliday Street, Suite 640
Baltimore, MD 21202

RE: DPW's Response to OIG Case # 22-0040-I

Dear Inspector General Cumming:

This correspondence will serve as the official response to the OIG Case #22-0040-I (the "OIG Report") regarding the Department of Public Work ("DPW") allegedly overpaying for engineer's office spaces on various contracts at [REDACTED].

As of the date of this response, DPW's Office of Engineering and Construction ("OEC") is still completing a thorough investigation of all of the facts and findings presented in the OIG Report, and anticipates that will be completed by March 29, 2024. DPW does acknowledge that generally, [REDACTED] at issue in the OIG Report, DPW has awarded lump sum payments to its contractors for the Engineer's Office line item. In accordance with the Green Book, (*Section 13 22 00, Part 4 Engineers Office, Measurement and Payment*), DPW has customarily paid the referenced contractors 50% lump sum price on the first pay estimate, while paying the subsequent 50% at equal amounts over term of the contract. Notwithstanding, DPW's OEC must ensure that in accordance with the Green Book, each contractor submits a schedule of payment outlining details to be used in the calculation of monthly estimates for the Engineer's approval, where a lump sum contract is involved, and that DPW should only award lump sum payment for the actual costs the Contractors would incur, as verified.

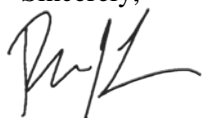
To that end, DPW's OEC has already commenced implementing new processes to prevent further overpayment, including, but not limited to executing a new allowance payment method in awarding Engineer's Office line item. Further, DPW has already modified certain utility construction contracts, which often utilize commercial office space, to implement the allowance method, and which method tests the validity of the contractor's claimed costs. The allowance method requires the contractor to provide monthly itemized costs and supporting documentation for items, which include office/trailer rental costs, supplies, computers, copiers, water, etc., for DPW to review, verify and approve. This improved process is anticipated to be better for these types of projects where a standard construction trailer, used at plants or pumping stations, cannot be accommodated.

Additionally, DPW is currently in the process of evaluating the use of the allowance method for an Engineer's Office line item for all types of projects. DPW manages over \$200 Million of construction projects a year, and staff wants to select the best approach for the range of projects. It should be noted, during this evaluation period, DPW can continue to add contract language to project specifications to replace the lump sum method in the Green Book. Staff expects to complete this evaluation over the next few months. Upon completion of this evaluation, OEC will provide recommendations for any revisions/additions to the Green Book, and will continue working with the City's Law Department, Department of General Services, and other City Agencies, as needed, to work toward an improved process.

As noted in the OIG Report, there is some potential to cost savings for some types of projects. This ongoing evaluation will allow DPW to determine if it is advantageous on some project types, described above, or best implored across all DPW projects. The results of this evaluation and ongoing trial projects could improve aligning actual office expenditures with the bid price in the contract. Furthermore, DPW is eager to collaborate with the City's other departments in the future, as recommended in your letter, in implementing the most cost-efficient practice for serving the great citizens of Baltimore City.

I extend our gratitude for your continued partnership and for bringing this matter to our attention. If you have any questions or require further information, please do not hesitate to contact DPW's Chief Administrative Officer, Deepti Modha, at deepti.modha@baltimorecity.gov or Chief of Office of Engineering and Construction, Timothy Wolfe, at timothy.wolfe@baltimorecity.gov.

Sincerely,



Richard J. Luna,
Interim Director

cc: Honorable Mayor Brandon M. Scott
Marvin James, Chief of Staff
Faith P. Leach, Chief Administrative Officer
Simone C. Johnson, Deputy City Administrator
Ebony M. Thompson, Acting City Solicitor
Deepti Modha, DPW's Chief Administrative Officer
Timothy Wolfe, DPW's Chief of Office of Engineering and Construction