

OFFICE OF THE INSPECTOR GENERAL CITY OF BALTIMORE



Isabel Mercedes Cumming
Inspector General

Investigative Report Synopsis

OIG Case # 23-0030-I

Issued: February 29, 2024



OFFICE OF THE INSPECTOR GENERAL
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City Hall, Suite 635
100 N. Holliday Street
Baltimore, MD 21202



February 29, 2024

Dear Citizens of Baltimore City,

The mission of the Office of the Inspector General (OIG) is to promote accountability, efficiency, and integrity in the City of Baltimore (City) government, as well as to investigate complaints of fraud, financial waste, and abuse. The following synopsis is a condensed version of the full report provided to City management officials and does not contain all investigative information.

The OIG received a complaint with concerns regarding a City program (City Program) that included an allegation of an overall lack of process and communication regarding the grantee selection process. The OIG was unable to find evidence to support that allegation. Nonetheless, during the investigation, the OIG received information that a nonprofit organization (Nonprofit Organization) was terminated from the City Program for expending federal grant funds for unrelated activities.

The City Program is financed with American Rescue Plan Act (ARPA)¹ funds, which the Mayor's Office of Recovery Programs (MORP) administers. The Department of Planning (DOP) leads the management of the City Program with a fiscal sponsor, the Baltimore Civic Fund (BCF), who assisted with the grant application process and financial disbursements.

OIG INVESTIGATION

The investigation confirmed there were no concerns with the Nonprofit Organization's work performance. The OIG reviewed work records supporting significant work performed by the Nonprofit Organization. According to a Department of Planning (DOP) Executive, the citizens that the Nonprofit Organization served were satisfied.

The Nonprofit Organization received a \$414,477.50 advance to begin City Program operations in January 2023. A Nonprofit Organization employee and subcontractor reported to DOP in May 2023 that the Nonprofit Organization had not paid them for wages and services, respectively. According to DOP personnel, the Nonprofit Organization said it had used funds to pay for salaries related to a separate, Department of Public Works (DPW) contract. DOP, MORP, and the BCF terminated the Nonprofit Organization's contract for using funds restricted to the City Program for other projects. The Nonprofit Organization expressed that it experienced political pressure and targeting regarding its involvement in the City Program. Although the investigation noted political involvement, the OIG did not find evidence to support that any political influence factored into the termination decision.

¹ ARPA provided the City of Baltimore \$641 million in funding due to COVID-19 and its negative economic impacts.

REPORT FRAUD, WASTE AND ABUSE

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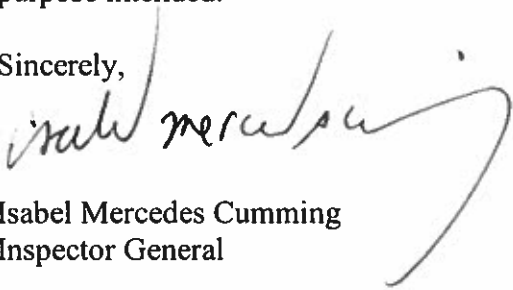
This public synopsis is only a summary of a more comprehensive report of investigation submitted to the appropriate City management official

BCF completed a review to reconcile the Nonprofit Organization's allowable City Program expenses. It was verified that the Nonprofit Organization used \$285,298.80 of the \$414,477.50 advance for the City Program. Expenses of \$20,991.33 were disallowed, and \$108,187.37 were found to be unaccounted for. After the reconciliation, it was alleged the Nonprofit Organization owed \$129,178.70 as a repayment for the initial advance. According to DOP's attached response, the Nonprofit Organization has communicated that it does not have funding to repay the balance owed.

The OIG subpoenaed the Nonprofit Organization's financial records. The Nonprofit Organization operated with a positive account balance at the start of its City Program participation and before the advance was received. The OIG found no evidence that the Nonprofit Organization's executives used the unaccounted funds for personal expenses. The records indicated that some monies were used for business expenses that were either unrelated or not billable for the City Program. Between January and April 2023, the Nonprofit Organization spent \$68,741.48 to the Internal Revenue Service for quarterly employee payroll taxes, \$56,000 for two work equipment items, \$55,000 for a loan repayment, and \$30,000 towards a vehicle. These items amounted to \$209,741.48 and were not listed on the approved City Program budget. The Nonprofit Organization also reported expending \$96,711.12 in funds for salary, insurance, and training, which they stated were not billable to the City Program. The OIG's independent financial review showed that after receiving the advance in January 2023 and other non-City Program deposits, the Nonprofit Organization's ending account balance on April 30, 2023, was left in a negative balance.

The DOP and BCF moved quickly once they were notified of the payment shortages. The OIG noted the swift compliance actions taken by MORP once it was verified the funds were not being used for the purpose intended.

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, Baltimore City Solicitor

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