

Department of Finance

Response

Case # 24-0017-I



August 6, 2024

Isabel Mercedes Cumming, Inspector General
Office of the Inspector General
100 N Holliday Street, Suite 635
Baltimore, MD 21202

Re: Response to OIG 24-0017-I - Tax Sale Irregularities

Dear Inspector General Cumming:

This letter is in response to the Office of Inspector General (OIG) Management Alert for Case OIG- 24-0017-I regarding an investigation into possible fraudulent activities pertaining to former employee [REDACTED] in his work for the Department of Finance, Bureau of Revenue Collections (BRC). [REDACTED] was on suspension due to his indictment on other unrelated criminal charges when he resigned effective April 30, 2024.

The Bureau of Revenue Collections reviewed the incidents listed and concurs with the findings. A detailed review of specific instances is in the attached *Appendix A* to the extent that additional context or information would be helpful to the continuing investigation.

The Department of Finance reiterates that there are no circumstances under which it would be allowable to direct a payment for any portion of amounts due to the City of Baltimore to an individual employee's personal account.

Current Mainframe System

The Bureau of Revenue Collections relies on our current mainframe real property tax system which has limited security features, including limited security role options and audit trails. The mainframe system also requires that users manually calculate redemption amounts and does not allow customers to view consolidated bills, total amounts due, etc. Redemption amounts due include manual calculations and variances in calculated amounts could be explained by claiming human error. As a result, absent the corresponding information obtained in this investigation (evidence of direct payments by a customer to an individual customer service representative's personal account) it is challenging to uncover fraud and theft of this nature.

Given the limitations of the mainframe system and the volume of transactions, BRC did have standard internal controls to reduce the ability of these instances, including requiring the entry of comments detailing the transaction or change and the employee's initials, segregation of duties so that steps in the process are completed by

different employees and supervisor review. In addition, payment handling responsibilities are reviewed with all new employees and in yearly refreshers on customer service, payment handling and ethics training.

New Real Property System Implementation

The security and audit limitations in the mainframe were noted as one of the critical drivers behind the planned implementation of a new real property tax system. This system implantation is in progress and Phase 1 includes the Real Property tax billings with a targeted date of October 2025. This updated system will be more user-friendly and will automate manual tasks such as calculating redemption amounts and producing tax sale redemption statements. Additionally, the system will allow for enhanced internal controls to prevent many of the findings within this report. The audit trail within the new system will log what updates are made in the system, when they were made, who made them, and the before and after values. Additional business process approvals for different types of transactions will available and reporting will be available to aid in validation and auditing.

Interim actions

In the interim, until the new system is implemented, BRC has requested BCIT review of the mainframe capabilities to program the following features in the mainframe:

- 1) any tax sale redemptions that are back dated more than 30-days will have an override feature that will have to be approved by a supervisor or manager.
- 2) The second feature is a modification of the \$5,000 supervisor override for redemption refunds. Currently, an employee can release a refund up to \$5,000. The refund redemption release limit will be lowered to \$3,000.
- 3) The third feature will only allow a tax sale to be closed if subsequent taxes on non-owner-occupied properties are paid. If required, only a management override can close this tax sale without paying subsequent taxes. This is a rare occurrence. This approval can only be authorized by the Chief or Deputy Chief of the Bureau.
- 4) Each month, the tax sale office manager will obtain a report from BCIT that records the properties that were redeemed from tax sale in the prior month and review to identify anomalies.
- 5) Results of the monthly tax sale review will be reviewed by the Chief or Deputy Chief of BRC; areas of concern will be escalated to Finance leadership.

CITY OF BALTIMORE

BRANDON M. SCOTT, Mayor



DEPARTMENT OF FINANCE

MICHAEL MOCKSTEN
DIRECTOR

100 N. Holliday Street
Room 454, City Hall
Baltimore, Maryland 21202

Any proposed programming changes will be evaluated based on whether the changes can be technically done, the timeframe for implementation and the level of effort considering the new system implementation anticipated October 2025. We anticipate BCIT's review of additional options to be complete by 08/30/2024.

BRC is also confirming with existing city resources, such as the Department of Audits if there is additional support that they can provide assisting with the monthly review of properties redeemed from tax sale and based on the additional monthly reviews BRC will discuss additional audit engagement.

Finally, as this is an ongoing investigation Finance leadership will continue to work with the OIG to review any future findings and modify corrective action as appropriate.

Sincerely,

A handwritten signature in cursive script that reads "Mocksten".

Michael Mocksten
Director, Finance