

OFFICE OF THE INSPECTOR GENERAL
CITY OF BALTIMORE



Isabel Mercedes Cumming
Inspector General

Investigative
Report Synopsis

OIG Case #24-0017-I
Issued: September 24, 2024



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



September 24, 2024

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 following synopsis is a condensed version of the full report provided to City management officials and does not contain all investigative information.

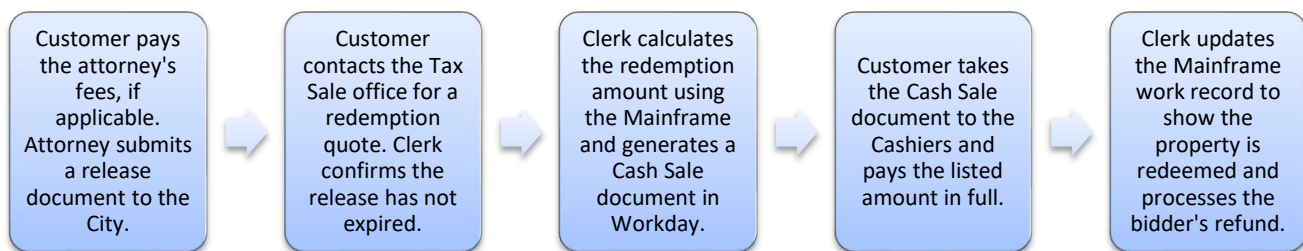
In September 2021, the OIG referred case information and allegations of misconduct in the City's Department of Finance (DOF) 's Tax Sale Office to the United States Department of Justice (DOJ). In October 2023, the OIG received information from the DOJ regarding allegations that a Customer Care Analyst III (the employee) working in the Tax Sale Office had accepted payments from customers in exchange for discounts or extensions on tax sale redemptions. DOJ investigated the criminal matter, which resulted in a guilty plea and sentencing scheduled for December 9, 2024¹.

The OIG examined the tax sale process, procedures, and the employee's work product. The OIG's investigation identified discrepancies in redemption paperwork, found that the employee received Zelle payments from property owners for whom he had processed redemptions, and found that the employee had forwarded City documents to his personal email address.

Background

The City generates revenue from several bill types, and unpaid bills may result in liens that can qualify a property for the annual tax sale. If bills remain unpaid at the end of each April, the property enters the tax sale, normally held in the third week of May. After the City receives the winning tax sale bidders' payments and applies them to the outstanding bills, the property owner or an interested party, such as a mortgage holder, can redeem the property by paying the attorney's fees, the amount of the liens, and the accumulated daily interest. If the property is not redeemed within a designated time period after the tax sale, the bidder's attorney may charge fees and file a lawsuit to foreclose the owner's right of redemption. If the attorney has charged fees, the customer must pay them to the attorney before redeeming the property with the City. If a property is redeemed, the City will refund the winning bidder. Customer Care Analysts, also called clerks, process redemptions at the Abel Wolman Municipal Building at 200 Holliday Street, using the City's Mainframe and Workday². Figure 1 outlines the redemption process.

Figure 1: Redemption Steps Summarized



¹ <https://www.justice.gov/usao-md/pr/former-baltimore-city-department-finance-employee-pleads-guilty-wire-fraud-conspiracy>

² Workday is the City's human resources, payroll, and financial processes software.

REPORT FRAUD, WASTE AND ABUSE

HOTLINE: 443-984-3476/800-417-0430 EMAIL: OIG@BALTIMORECITY.GOV WEBSITE: OIG.BALTIMORECITY.GOV

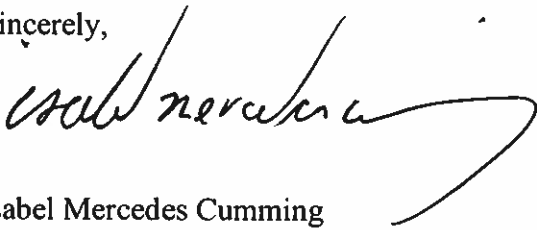
This public synopsis is only a summary of a more comprehensive report of investigation submitted to the appropriate City management official

Investigative Findings

The OIG investigation found that, according to Mainframe and Workday records, the employee processed redemptions for individuals who had sent him payments via Zelle. The investigation also identified date and/or amount inconsistencies in a sample set of the employee's redemptions and found over 50 instances between February 2020 and July 2023 in which the employee forwarded tax sale documents and information, including bills, deeds, Mainframe screenshots, and check scans, to his personal email address. These actions may have violated the City's Technology Acceptable Use Policy, AM-118-I, which prohibits users from sending or transmitting sensitive or protected data without appropriate authorization and requires that when the distribution of such data is authorized, the data be transmitted over encrypted communication channels.

Additionally, the OIG noted a lack of audit logs and security features in the Mainframe's redemption process, leaving records vulnerable to manipulation. The OIG recommended increasing security features in the Mainframe and ensuring audit log capabilities in any replacement systems. The OIG had a productive meeting with DOF leadership to discuss these recommendations and will provide relevant materials to the Department of Audits.

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

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 by 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