



CATHERINE E. PUGH
Mayor
250 City Hall, 100 North Holliday Street
Baltimore, Maryland 21202

December 7, 2018

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

Dear Inspector General Cumming:

On November 8, 2018, I received an Addendum to the Report of Investigation for case 2018-0871, which related to the office renovations for the Employees' Retirement System (ERS). I thank you for your thorough report and have reviewed the findings with the Director of Finance. Please note that the ERS Board of Trustees is in the process of hiring a new Executive Director as well as a new Legal Counsel. I offer the following comments on the items you noted:

2016 Renovations

There were, indeed, renovations performed in 2016 on the 12th and 13th floors of 7 East Redwood Street. The ERS Board of Trustees advises it approved the renovations.

Source of Funding

The ERS Board of Trustees advises the fund source used for the 2016 renovations was the appropriate source of funds. They further advise that strong internal controls are in place. That being said, I have asked the ERS Board of Trustees as well as the Director of Finance to review City Code Article 22, Section 7(h)(1) to determine if "reasonable expenses" should be more clearly articulated. If so, I have asked them to develop a formal policy for clarification.

Justification for Renovations

The ERS Board of Trustees advises it approved the renovations due to security and safety considerations.

Board of Trustees Approval

The ERS Board of Trustees advises it approved the renovations for the 12th and 13th floors of 7 East Redwood Street that were performed in 2016.

Board of Estimates

Your report notes that the 2016 renovations were not approved by the Board of Estimates, which is required for expenditures over \$25,000. I have instructed the Finance Director to arrange for the new ERS Executive Director, the new ERS Legal Counsel, and the ERS Board of Trustees to receive training on the City's procurement and contracting processes.

Furniture

Your report notes that furniture was purchased for these renovations without authorization of the ERS Board of Trustees. This is inappropriate and I have instructed the Director of Finance to ensure purchasing procedures, including approval by the ERS Board of Trustees are including in the trainings that will be conducted on the City's procurement and contracting processes.

Investigative Findings

1. I concur with the finding that the procurement process was circumvented. The ERS Board of Trustees advises it will approve all administrative expenses annually as will the Department of Finance. Additionally, the ERS Board of Trustees advises they will require a monthly report of administrative expenses and that all expenditures exceeding \$25,000 will be approved by the Board of Estimates.
2. I concur with the finding that ERS expenditures and contracts exceeding \$25,000 should be fully documented and justified in writing. The ERS Board of Trustees has advised these contracts and expenditures will be documented and justified.
3. Regarding the finding that there may be an issue with fiscal restraint and responsibility within ERS, please note that the ERS Board of Trustees is in the process of hiring a new Executive Director as well as a new Legal Counsel. The ERS Board of Trustees will ensure those hired fully appreciate fiscal restraint and responsibility.

Sincerely,



Catherine E. Pugh
Mayor
City of Baltimore