

OFFICE OF THE INSPECTOR GENERAL CITY OF BALTIMORE



Isabel Mercedes Cumming
Inspector General

Investigative Report Synopsis

OIG Case # 2018-0871

Issued: September 12, 2018

CITY OF BALTIMORE

CATHERINE E. PUGH, Mayor



OFFICE OF INSPECTOR GENERAL

ISABEL MERCEDES CUMMING, Inspector General
640 City Hall
100 N. Holliday Street
Baltimore, Maryland 21202

September 12, 2018

Dear Citizens of Baltimore City,

The Office of the Inspector General (OIG) conducted an investigation regarding the improper use of funds related to retirement accounts by employees of the Retirement Savings Plan (RSP) as a result of a hotline request by a City Councilperson. What follows is the public synopsis of the Report of Investigation.

The mission of the OIG is to promote accountability, efficiency, and integrity in City government, as well as to investigate fraud, financial waste, and abuse in City government. The OIG investigation found that an official, at RSP, had approved \$218,213.20 from retirement forfeiture accounts to renovate RSP offices. The OIG found that the official did not follow proper procedures for obtaining approval for the use of the funds, withheld forfeiture fund accounting information from other City employees, disregarded explicit legal challenges by the former retirement plan administrator, and directed money to flow through three separate entities before paying the contractor for work performed.

The OIG interviewed members of the Board of Trustees, current and former retirement system employees, representatives for the former plan administrator, and the property management company for the building in which the RSP is located. The OIG obtained copies of invoices and checks to determine the amount paid and the path of the money.

The investigation determined that the official personally approved all expenses and the manner in which they would be paid. The OIG found little to no accountability and oversight in the use of retirement forfeiture account funds. Baltimore City Code, Article 22A permits forfeiture accounts be used for "reasonable Plan administrative expenses" or "to reduce the employer contribution . . . for the plan year in which the forfeiture occurred." The official made the determination unilaterally that the cost of renovations was reasonable and did not allow for proper discussions by the Board to take place. The OIG found no consideration for the second option to use forfeiture accounts to reduce the City's General Fund contribution toward the RSP. The expenses were not brought before the Board of Estimates, as was necessary, because of the amount spent.

The OIG recommended making amendments to Article 22A to define specifically how retirement system forfeiture funds can be used. The OIG also recommended Board of Trustees oversight of all RSP expenses and consideration by the Board of adoption for the City of



guidelines similar to those applicable to private employers under the Employee Retirement Income Security Act of 1974, as best practice for the RSP.

The OIG consulted with the Baltimore City State Attorney's Office. The State Attorney declined the case for prosecution. Two officials formerly employed by RSP are no longer employed by the City of Baltimore.

The Mayor and the Board of Trustees concurred with the OIG findings.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Isabel Mercedes Cumming". The signature is written in black ink and is positioned to the right of the typed name.

Isabel Mercedes Cumming
Inspector General

Cc: Hon. Catherine E. Pugh, Mayor of Baltimore City
Hon. Bernard C. Young, President, City Council
Hon. Joan M. Pratt, Baltimore City Comptroller
Honorable Members of the Baltimore City Council
Hon. Andre M. Davis, City Solicitor