

**OFFICE OF THE INSPECTOR GENERAL
CITY OF BALTIMORE**



**Isabel Mercedes Cumming
Inspector General**

**Investigative
Report Synopsis**

OIG Case # 20-0012-I

Issued: July 15, 2020



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



July 15, 2020

Dear Citizens of Baltimore City,

The Mission of the OIG is to promote accountability, efficiency and integrity in City government, as well as to investigate complaints of fraud, financial waste and abuse. During an open and ongoing investigation into a Baltimore City Health Department (BCHD) contract, the Office of the Inspector General (OIG) uncovered that the Vendor recently requested a price increase for the services they provide. The OIG found an increase of the service rates would violate the price escalation clause within the contract and a Management Alert to the Mayor's Office was immediately issued.

On May 5, 2020, the Chief Financial Officer (CFO) for the Vendor sent an e-mail to a Deputy Commissioner within BCHD, which contained a letter requesting an increase for service rates. Specifically, the Vendor stated that they are requesting a four percent increase for all services provided to the City of Baltimore due to a decrease in service volume, increased operating costs, and additional costs associated with the COVID-19¹ illness.

Upon receipt of the request from the Vendor, a BCHD Manager (Manager) expressed concerns that the current Vendor contract prohibits changes to pricing. However, the Deputy Commissioner and the Manager agreed more data and metric-based performance information would be required to support the Vendor's request. Correspondence from the Deputy Commissioner to the CFO requesting the Vendor provide documentation to support increased personnel costs, changes in volume, and additional training costs due to the COVID-19 illness, was sent May 8, 2020.

The fully executed contract agreement between the Vendor and the City of Baltimore states the Vendor agrees to perform the work required by the contract in "strict accordance" with the conditions and terms contained in the proposal which "are in all respects made a part of this agreement". Part One of the Request for Proposal (RFP Pt. 1) for the contract contains specific language which prohibits price increases during the initial term of the contract. RFP Pt. 1 states "all prices shall remain firm and fixed for the full term of the Contract, including renewals thereto, unless an escalation or adjustment clause is included in the contract". RFP Pt. 1 does include an escalation clause which allows for a price increase, however, the clause states a price increase can only be requested for the renewal terms. Additionally, the escalation clause states "prices for the first contract term shall remain firm and will not be covered by this provision".

The contract has an initial term from June 27, 2018 to June 30, 2023. According to the escalation clause of the RFP, the Vendor would only be able to request a price increase for the two one-year renewal options.

¹ COVID-19 is an infectious disease that primarily affects the lungs

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The Vendor's letter states that their revenue was impacted when BCHD notified them to halt services which were not for life-sustaining purposes. However, BCHD was not responsible for the decision to halt services. In a memo from the Maryland Department of Health (MDH), MDH stated certain services would be postponed, including some of the services provided by the Vendor. The owner of the company acknowledged the notification was from MDH in e-mails with BCHD.

The OIG determined the Vendor would not be eligible for a price increase under the initial contract term based on the terms and conditions outlined in RFP Pt. 1. The observations made by the OIG gave concern an approved increase of the transportation rates would violate the price escalation clause within the contract. If the increase was approved, the OIG estimated an additional cost of \$637,322.40 for the remainder of the contract.²

The Mayor's Office supplied the OIG with a response, attached, denying the Vendor's request for a rate increase as a result of the Management Alert. Subsequent to the release of the Management Alert the OIG learned the vendor applied for Federal Paycheck Protection loan for approximately 1 million dollars, which was approved.³ The loan application was approved prior to the rate increase request to the BCHD.

Sincerely,



Isabel Mercedes Cumming, Inspector General
Office of the Inspector General

Cc: Hon. Bernard C. "Jack" Young, Mayor of Baltimore City
Hon. Brandon Scott, President, City Council
Hon. Joan M. Pratt, Baltimore City Comptroller
Honorable Members of the Baltimore City Council
Hon. Dana P. Moore, Acting City Solicitor

² This estimate is based on average of services provided by the Vendor for December 2019 and January and February 2020. The OIG understands this number could be higher or lower. This is only an estimate of the potential increase in cost. Since services may have declined in March, April and May.

³ Information retrieved from <https://www.washingtonpost.com/graphics/2020/business/sba-ppp-data/>

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