

OFFICE OF THE INSPECTOR GENERAL CITY OF BALTIMORE

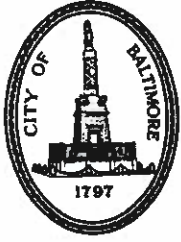


**Isabel Mercedes Cumming
Inspector General**

Investigative Report Synopsis

OIG Case # 20-0017-I

Issued: September 1, 2020



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



September 1, 2020

Dear Citizens of Baltimore City,

The Office of the Inspector General (OIG) investigated a complaint into alleged improper billing practices by a towing company (the Company) that had a contract with the City to tow City vehicles. The OIG investigation found the Company overbilled the City by \$129,520 from 2014 to 2019 for items and services that were not authorized under the Contract. A high-level employee of the City’s Department of General Services (DGS) routinely approved these unauthorized charges without reviewing the Company’s contract terms and without any other checks on the improper charges.

The Towing Contract

In October 2014, the City released a solicitation on behalf of the DGS’s Fleet Management Division for Towing Services for Cars, Trucks, and Heavy Equipment (the Contract). The solicitation required vendors to submit flat rate pricing for towing that would include all services required to complete a tow, including expected travel and location time, vehicle hook-up time, mileage to and from the service site, and other services. Bidders were required to break down their pricing into categories based on the towed vehicle’s Gross Vehicle Weight Rating (GVWR). In addition, vendors were to submit a flat rate for the first two hours of service and a flat rate for any hours after the initial two hours.

Figure 1 is the Company’s bid price sheet; as can be seen, the Company provided a flat rate for the first two hours based on the vehicle’s GVWR, and either no charge (N/C) or a reduced charge for any subsequent hours.

Figure 1: Snapshot of prices listed on the Company’s Bid Price

Towing for Heavy Trucks and Equipment > 10,000 lb. GVWR	Flat Fee for 2 Hrs.	Fee per Hour after 2 hours
Straight or Rollback – for 10,001 – 16,000 lb. GVWR	\$ 160 ⁰⁰	\$ N/C
Extra Trucks – for 10,001-16,000 lb. GVWR.	Per Tow \$ 125 ⁰⁰	\$ N/C
Winching (if applicable) – for 10,001 -16,000 GVWR	\$ 250 ⁰⁰	\$ 125 ⁰⁰
Recovery Winching– for 10,001 - 16,000 GVWR	\$ 250 ⁰⁰	\$ 125 ⁰⁰

* “Winching” uses a mechanical device to pull in, let out, or otherwise adjust the tension of a rope or wire and is often used to move an immobilized vehicle.

REPORT FRAUD, WASTE AND ABUSE

On December 24, 2014, the Board of Estimates (BOE) awarded \$1,000,000 to the Company and another towing company to perform towing services under the Contract for a period of two years, with two one-year renewal options. The Company was to be the first call option because it was the lowest bidder.

The Company's Questionable Billing Practices

The OIG reviewed the invoices the Company submitted to the City between December 2014 and September 2019 and discovered charges for services not included in the Company's bid price sheet or at prices that differed from those included on the Company's bid price sheet. These items included charges for mileage, taxes, tolls, labor, wait time, and administrative fees. None of these excess charges were permitted under the flat rate Contract; according to the Contract's terms, the Company's flat rate was supposed to include all services necessary to perform a tow. Additionally, the Company charged for extra hours—beyond the first two—when its bid pricing either required a no charge or a reduced charge. The Company also charged for services such as “driveshaft removal,” which was supposed to be included in its flat fee, and a fee for vehicles that were “gone on arrival” (GOA), even though the Contract terms did not include such a fee.

The Company's General Manager told the OIG that he was not aware of the Company's pricing under the Contract because he was not involved in the billing process, despite the fact that he was listed as the point of contact on the Company's bid price sheet. The Company's Accountant gave various reasons for the overcharges, including the Company's new billing software that auto-generated rates that differed from Contract rates, new Company employees who were unaware of the Contract terms, and Company dispatchers who accidentally billed the City based on rates for other clients.

DGS's Mismanagement of Invoice Approval

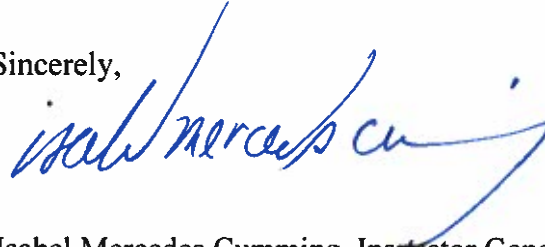
The Company's President told the OIG that he made multiple verbal agreements with DGS employees to permit charges for services not listed in the Contract. The Contract explicitly states that “entering into contracts and agreements ‘verbally’ is prohibited.” DGS employees admitted to the OIG that they had reviewed and approved the Company's invoices without checking them against the Contract terms and without otherwise verifying that the Company's charges were accurate and verifiable. A high-level DGS employee acknowledged that he had approved many invoices that contained line item charges that should have been included in the Company's flat rate, including charges for mileage, labor, and driveshaft removal. The employee also admitted approving charges that were not contained in the Contract terms, including taxes, tolls, administrative fees, and GOA fees. The employee stated he believed the Company's billing practices were in accordance with the Contract because the Company “practiced integrity.”

Conclusion

The OIG found the Company improperly billed the City over \$129,520 for services between 2014 and 2019. This overbilling at least partly resulted from verbal agreements between Company and

DGS employees that enabled the Company to charge for services in violation of the Contract. The overbilling was perpetuated by a high-level DGS employee who approved Company charges without checking them against the Contract terms or otherwise determining their validity.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Isabel Mercedes Cumming', written in a cursive style.

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

REPORT FRAUD, WASTE AND ABUSE

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

Department of General Services
Director Response

Case #20-0017-I



April 20, 2020

Isabel Mercedes Cumming, Inspector General
Baltimore City Hall
100 Holliday Street, Room 640
Baltimore, MD 21202

RE: OIG Case #20-0017-1

Dear Ms. Cumming,

On April 3rd, the Department of General Services (DGS) received a copy of your Report of Investigation on the above referenced Case. The investigate work performed by your team is appreciated, as always. The findings of this investigation complement our own assessment of the need to revisit and strengthen our internal procedures as they pertain to contract procurement, invoice review and other related activities. DGS is in the midst of, and will continue, an intensive re-education of key personnel on matters related to procurement rules and regulations, legal requirements and segregation of duties. In addition to scheduling training for the relevant individuals who play various roles in these processes, we are also in the process of reconfiguring some of the reporting structures.

As we manage the change in leadership at the Fleet Management Division, and with the termination in employment of [REDACTED], we will be taking a very intensive and intentional approach to educate, manage and monitor the individuals with related assigned responsibilities.

Again, thank you for this report. If you have any questions at all, please feel free to call me.

Very respectfully,

Chichi Nyagah-Nash Digitally signed by Chichi Nyagah-Nash
Date: 2020.04.20 16:19:13 -04'00'

Chichi Nyagah-Nash
Director, Department of General Services

Cc: Kimberly Morton, Mayor's Chief of Staff
Dana P. Moore, Acting Baltimore City Solicitor