

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



**Isabel Mercedes Cumming**  
**Inspector General**

**Investigative**  
**Report Synopsis**

OIG Case # 22-0059-I

Issued: November 1, 2022



OFFICE OF THE INSPECTOR GENERAL  
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City Hall, Suite 635  
100 N. Holliday Street  
Baltimore, MD 21202



November 1, 2022

Dear Citizens of Baltimore City,

The Office of the Inspector General (OIG) received a complaint in June 2022, alleging Department of Finance (DOF) and Department of Public Works (DPW) employees neglected to pay a DPW vendor (Vendor) for a chemical required for the water treatment process (Water Treatment Chemical). DPW adds the Water Treatment Chemical during the purification process for the City of Baltimore's (City) drinking water to prevent corrosive water from dissolving lead and copper from water mains and home plumbing pipes. The complaint claimed Water Treatment Chemical deliveries were disrupted due to the non-payment, placing the City's drinking water in jeopardy of not being safe to drink.

#### EXECUTIVE SUMMARY

The Vendor informed DPW and the DOF's Bureau of Accounting and Payroll Services (BAPS) in May and June 2022, it would pause Water Treatment Chemical deliveries because of past due invoices and a lack of response to its price escalation request. A DPW supervisor (DPW Supervisor) confirmed the Vendor's deliveries were paused for approximately two weeks, and the Water Treatment Chemical supply reached a critical level at two water filtration plants. According to DPW personnel, lead and copper in the drinking water would create a health crisis and violate United States Environmental Protection Agency (EPA) regulations. In June 2022, the former Director of DOF (Former DOF Director) approved an emergency request from DPW to initiate a six-month emergency contract with the Vendor for the Water Treatment Chemical. The City then issued payment for most of the past-due invoices, and an emergency contract was authorized in July 2022 that included the Vendor's requested price increase.

Regarding the Vendor's price escalation request, the OIG learned that the Vendor emailed a letter to the Acting City Purchasing Agent, requesting a \$10.89 per unit price increase. Despite emailing this letter to the Acting City Purchasing Agent on November 29, 2021, the Vendor's contract renewal was approved in December 2021, without a price adjustment. Shortly after the contract renewal, the Vendor sent two emails to the assigned Bureau of Procurement (BOP) procurement specialist (Procurement Specialist) inquiring about the status of the request. The OIG investigation revealed the Vendor never received a response to those emails. The BOP procurement specialist informed the OIG that he did not receive or review a price escalation request from the Vendor. Furthermore, the Acting City Purchasing Agent stated they did not recall reading the Vendor's email with the price escalation letter attached.

The OIG learned the Vendor began submitting invoices with the escalated price to the City on December 31, 2021. According to email correspondence reviewed, DPW identified the City owed the Vendor approximately \$77,317.48 as of June 8, 2022, when the Vendor informed the City they would pause deliveries of the chemical.

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## BACKGROUND

DPW operates three water filtration plants that treat reservoir water, providing drinking water to approximately 1.8 million residential and business consumers.<sup>1</sup> The inclusion of the Water Treatment Chemical reduces the water's ability to corrode water mains and home plumbing materials such as copper, lead, and brass. Unadjusted corrosive water can dissolve lead and copper. Excessive levels of dissolved lead and copper in drinking water are a public health concern, particularly for young children.

BOP, the City's centralized procurement agency, drafted the bid solicitation for the Water Treatment Chemical contract. The Board of Estimates (BOE) approved the initial contract award to the Vendor. BOP oversaw the contract renewal process, and BOE approved a one-year renewal for the Vendor. BAPS is responsible for processing vendor invoices for payment and according to the Vendor's Water Treatment Chemical contract, DOF shall make payment 30 days after the City receives the invoices. The Office of the Comptroller's Department of Audits completed an audit in December 2021 that found BAPS did not have policies and procedures to track the accounts payables process, increasing the likelihood of incorrect reports or potential overstatement of the number of invoices paid within 30 days from receipt.<sup>2</sup>

## METHODOLOGY

The OIG interviewed DPW, BOP, and BAPS employees regarding the past-due invoices to the Vendor and the pricing dispute that occurred. Additionally, the OIG sought insight from the Law Department regarding the price escalation language in the contract and vendor disputes. Finally, the OIG reviewed numerous documents related to the City's contract with the Vendor, including, but not limited to:

- City payments of the Vendor invoices;
- Contract for Water Treatment Chemical; and
- Renewal documents for the Water Treatment Chemical contract.

## INVESTIGATION

### *Invoice Dispute and Low Water Treatment Chemical Supply*

On May 11, 2022, the Vendor informed the DPW Supervisor and the BAPS Manager, that the Vendor had yet to receive communication regarding its contract renewal and price increase request. The Vendor also requested payment of the City's past due invoices so the City could avoid shipment delays. Approximately one month later, the Vendor notified the DPW Supervisor and the BAPS Manager that the Vendor required payment for the City to continue receiving timely deliveries of the Water Treatment Chemical. On June 8, 2022, the DPW Supervisor asked for an extension to make the payment because Montebello Plant I would be out of the Water Treatment Chemical without a delivery by June 10, 2022. The Vendor agreed to deliver the Water Treatment Chemical but stated it must receive a minimum payment of \$43,834.70 by June 13, 2022. The DPW Water System Treatment Manager elevated the issue to DPW's Bureau Head of Water and Wastewater, stating that it would be an emergency health crisis if

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<sup>1</sup> The three plants are: Ashburton Filtration Plant, Montebello Plant I, and Montebello Plant II.

<sup>2</sup> This audit report can be found here: <https://comptroller.baltimorecity.gov/news/press-release/2022-05-04-release-report-%E2%80%93-department-finance-must-improve-its-invoice-payment>.

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the City did not pay the bill, comparing it to a contaminated drinking water situation that occurred in Flint, Michigan.<sup>3</sup>

The DPW Supervisor explained that without the Water Treatment Chemical, the City's tap water would not be drinkable and would not pass Environmental Protection Agency regulations under the Lead and Copper rule.<sup>4</sup> According to the DPW Supervisor, the Vendor did not deliver Water Treatment Chemical for approximately two weeks and confirmed that the Water Treatment Chemical supply at Montebello Plants I and II reached a critically low level compared to the amount normally stored on-site.

On June 13, 2022, the Former DOF Director granted DPW's emergency procurement request for a six-month emergency contract with the Vendor and the use of DPW's Procurement Card (P-Card) until the City resolved the price escalation request. The City then paid most of the past-due invoices and made payments for future shipments with the P-Card in June 2022. On July 22, 2022, the Acting City Purchasing Agent signed the emergency contract with the Vendor's price increase from August 1, 2022, through January 1, 2023.

#### *The Vendor's Contract Renewal and Price Change Request*

The OIG learned from multiple BOP employees that the Vendor's request to increase the unit price by \$10.89 required a formal review process by BOP before going into effect. According to the Acting City Purchasing Agent, the vendor must submit price escalation requests on official letterhead to the responsible BOP procurement specialist for review. The Acting City Purchasing will then sign off on the request, which is needed for the request to become effective, after the procurement specialist completes their review.

In December 2021, the DPW Supervisor emailed the Procurement Specialist and Acting City Purchasing Agent regarding the Vendor's contract renewal and a possible price increase. When compiling the renewal paperwork that same day, the Procurement Specialist informed the Acting City Purchasing Agent that neither they nor DPW received a price escalation request from the Vendor. Shortly thereafter, the BOE approved a one-year renewal for the City's contract with the Vendor. However, the investigation revealed the Vendor emailed its price increase request to the Acting City Purchasing Agent on November 29, 2021, approximately two and a half weeks before the Vendor's contract renewal date. The Vendor emailed the Procurement Specialist twice after the renewal was approved and asked if the City approved the Vendor's price escalation request. The OIG did not find evidence that the Procurement Specialist responded to the Vendor's emails or that BOP approved the increase.

When presented with the Vendor's price escalation letter, the Acting City Purchasing Agent did not recall receiving or reviewing the email. Regarding if the price escalation letter would have been approved before

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<sup>3</sup> On April 25, 2014, the City of Flint, Michigan changed their municipal water supply source from the Detroit-supplied Lake Huron water to the Flint River. The switch caused water distribution pipes to corrode and leach lead and other contaminants into municipal drinking water. In October 2016, Flint residents were advised not to drink the municipal tap water unless it had been filtered through a NSF International approved filter certified to remove lead. A state of emergency was declared on January 16, 2016. ([https://www.cdc.gov/nceh/casper/pdf-html/flint\\_water\\_crisis\\_pdf.html](https://www.cdc.gov/nceh/casper/pdf-html/flint_water_crisis_pdf.html))

<sup>4</sup> In 1991, EPA published a regulation to control lead and copper in drinking water. This regulation is known as the Lead and Copper Rule. Since 1991 the Lead and Copper Rule has undergone various revisions, see the Rule History section below. (<https://www.epa.gov/dwreginfo/lead-and-copper-rule>)

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the contract renewal date, the Acting City Purchasing Agent stated they would have forwarded the letter to the assigned procurement specialist or manager to research and review the price escalation request. The Procurement Specialist confirmed they were the assigned procurement specialist for the Water Treatment Chemical contract and did not recall receiving or reviewing the Vendor's price escalation letter.

The contract states vendors must submit price escalation requests in writing to BOP, and approval must be granted a minimum of 30 days prior to an effective date. Regarding if the "effective date" referred to the contract renewal date, the OIG received varying opinions from BOP personnel and the Law Department. According to the Procurement Specialist and the Acting City Purchasing Agent, the term "effective date" could have different meanings compared to other contracts that typically require vendors to submit price escalation requests 60 days before the renewal date. A Law Department Chief Solicitor (Chief Solicitor) opined that the contract language appears to allow the Vendor to submit a price escalation request any time after the first contract year but 30 days before the vendor wants the price increase to take effect.

### *Invoice Delay and Price Discrepancy*

DPW informed DOF on June 8, 2022, that the City had \$77,317.48 in past-due invoices for the Vendor. According to the BAPS Manager, invoices submitted by vendors that do not match the rates in Citibuy, the City's procurement website, should not be paid. The BAPS Manager explained if there are any discrepancies on the invoice, such as the incorrect purchase order number or incorrect unit rate for goods, BAPS will send the invoice to the end-user agency to make corrections with the vendor. The Vendor began submitting invoices to the City with the escalated unit price on December 31, 2021. The BAPS Manager opined that the discrepancy between prices listed on the Vendor's invoices and the City's contractual agreement could have caused the delayed payments.

The BAPS Manager further explained there are no Standard Operating Procedures (SOPs) for handling vendor disputes because each case is different, and in some cases, the Law Department becomes involved. Additionally, the OIG reviewed CoreIntegrator, the City's invoice database, and found that even though BOP had not approved the price increase, BAPS paid 17 Vendor invoices from December to March 2022 with the escalated unit price. The OIG determined BAPS paid the Vendor \$4,685.65 more than it would have at the contractual rate. Regarding how BAPS paid these invoices at a higher rate than listed in Citibuy, the BAPS Manager acknowledged that they were paid in error and stated they should have been rejected for DPW to correct.

### INVESTIGATIVE FINDINGS

The OIG substantiated that the City had numerous past due invoices owed to the Vendor. When the Vendor informed the City it would pause deliveries due to the non-payment, the continuous service of the City's drinking water became uncertain. DPW coordinated with DOF and BAPS to receive an emergency procurement authorization and have the majority of invoices paid on June 15, 2022. However, the OIG learned from the DPW Supervisor that Water Treatment Chemical deliveries were disrupted during this time, causing supplies at Montebello Plants I and II to become critically low. If the Water Treatment Chemical supply had been exhausted, the OIG learned an emergency health crisis would have ensued for City residents.

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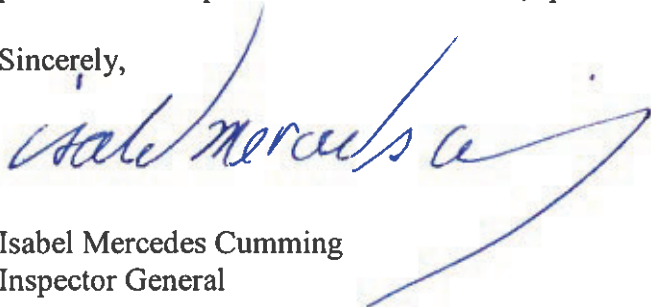
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The Vendor's notification of a pause of deliveries cited a pricing dispute. The investigation found this pricing issue derived from the contract renewal process in December 2021. The Vendor sent an email on November 29, 2021, that contained a price escalation request, which the Acting City Purchasing Agent did not recall reading. The OIG confirmed BOP submitted the Water Treatment Chemical contract for renewal without a price increase. Yet, despite multiple follow-up attempts, the Vendor never received a response from BOP to its request. The OIG recommends BOP review processes for vendor contact to alleviate potential miscommunications, especially during contract renewals. Additionally, due to varying interpretations of the Water Treatment Chemical contract term "effective date", the OIG recommends BOP potentially standardize contractual language regarding the timeframe when vendors must submit price escalation requests.

BAPS informed the OIG that it could not process invoices for payment that list a higher service rate than the rate documented in Citibuy. Despite no official authorization of the price increase from BOP, the Vendor's invoices after the contract renewal included the escalated per unit rate. According to BAPS, this price discrepancy may have caused a delay in processing the invoices. A BAPS Manager explained that BAPS has no SOPs that address pricing disputes with vendors. The OIG suggests that BAPS coordinates with the Law Department to create SOPs that provide instruction on managing vendor invoices during pricing disputes.

Lastly, the OIG recommends that BOP, BAPS, and end-user agencies like DPW, strengthen communication processes to ensure information is shared promptly amongst each other to prevent any potential interruptions in vendor services, specifically those with public health implications.

Sincerely,



Isabel Mercedes Cumming  
Inspector General

Cc: Hon. Brandon M. Scott, Mayor of Baltimore City  
Hon. Nick Mosby, President, City Council  
Hon. Bill Henry, Baltimore City Comptroller  
Honorable Members of the Baltimore City Council  
Hon. Jim Shea, City Solicitor

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