

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



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

**Investigative**  
**Report Synopsis**

**OIG Case # 23-0011-I**

**Issued: March 27, 2023**



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



March 27, 2023

Dear Citizens of Baltimore City,

The mission of the Office of the Inspector General (OIG) is to promote accountability, efficiency, and integrity in City government, as well as to investigate complaints of fraud, financial waste, and abuse.

The Office of the Inspector General (OIG) received a complaint in September 2022, alleging that the Bureau of Accounting and Payroll Services (BAPS) issued retroactive payments to a large number of City of Baltimore (City) employees without making deductions for employee retirement contributions. The complainant purported the Department of Finance (DOF) planned to deduct the missed retirement contributions from the affected employees' future pay without notification.

### **BACKGROUND**

BAPS is a Department of Finance (DOF) division responsible for managing the accounting and payroll operations for the City, including payroll reporting for over 40,000 employees and retirees. BAPS issues one million payments annually to employees and retirees, totaling approximately \$900 million.<sup>1</sup> The City implemented a cloud-based software for human capital and financial management in October 2020 and has used it to process payroll (Payroll System).

The City of Baltimore Employees' Retirement System (BCERS) manages the retirement programs available to City employees. Class C and Hybrid Class D are the two affected retirement plan classes mentioned in this investigation report. The Class C Plan includes all employees hired from July 1979 to June 2014. The Hybrid Class D Plan consists of all employees hired on or after July 1, 2014, who selected the hybrid membership option. Both plans require employees to contribute five percent of their annual base pay to the respective retirement plans. The City deducts the five percent contribution from employees' regular bi-weekly paychecks. The City also makes annual employer contributions to the employee retirement system.

### **INVESTIGATION**

Several DOF employees stated in late 2022, the City's agreements with multiple labor unions for Fiscal Years 2022 (FY 22)<sup>2</sup> and 2023 (FY 23) were retroactively approved. These employees stated the Memorandums of Understanding (MOUs) contained wage increases that would need to be processed retroactively as a lump-sum payment, dating back to July 1, 2021. BAPS began issuing retroactive payments for the wage increases in September 2022.

The investigation substantiated that the City did not deduct required retirement contributions of over half a million dollars from the retroactive payments. Baltimore City Employees' Retirement System (BCERS) leadership stated the affected employees belonged to the Class C and Hybrid Class D retirement plans.

<sup>1</sup> This and other information can be found on the BAPS website: <https://finance.baltimorecity.gov/bureaus/accounting>.

<sup>2</sup> FY 22 was from July 1, 2021, to June 30, 2022. FY 23 is from July 1, 2022, to June 30, 2023.

**REPORT FRAUD, WASTE AND ABUSE**

HOTLINE: 443-984-3476 800-417-0430 EMAIL: [OIG@BALTIMORECITY.GOV](mailto:OIG@BALTIMORECITY.GOV) WEBSITE: [OIG.BALTIMORECITY.GOV](http://OIG.BALTIMORECITY.GOV)

*This public synopsis is only a summary of a more comprehensive report of investigation submitted to the appropriate City management official*

On February 16, 2023, the BCERS Executive Director included the missed contributions in BCERS's request for the City's annual employer contribution payment. Regarding proper notification, the OIG learned DOF informed the Office of the Labor Commissioner and Department of Human Resources (DHR) when the missed contributions were discovered. The DOF Director acknowledged to the OIG that the City might pay the missed retirement contributions on behalf of the affected employees. BCERS and its actuarial vendor determined that 4,341 City employees did not have retirement contributions deducted from their retroactive payments, totaling \$533,548.68 (Table 1).

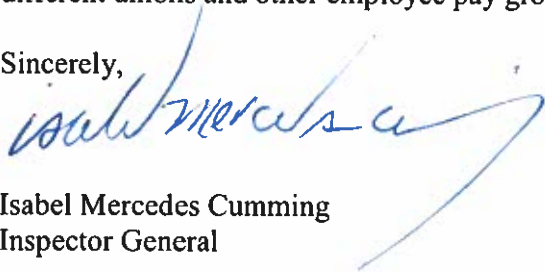
Table 1: Missed Retirement Contribution Information from BCERS Calculations

Unions Impacted	Class C Employees Affected	Hybrid Class D Employees Affected	Total # of Employees Affected	Total Missed Contributions
AFSCME <sup>3</sup> Council 67 & Local 558	38	15	53	\$8,811.38
AFSCME Local 2202	6	18	24	\$3,312.57
AFSCME Local 44	1,047	569	1,616	\$206,637.35
City Union of Baltimore (CUB)	1,757	891	2,648	\$314,787.38
<b>Total</b>	<b>2,848</b>	<b>1,493</b>	<b>4,341</b>	<b>\$533,548.68</b>

The investigation found additional discrepancies during the issuance of the retroactive increases, including overpayments to employees. Information obtained during the investigation indicates that approximately 279 employees received overpayments totaling \$4,390,464.68. The OIG learned DOF was able to reverse numerous overpayment transactions and, as of February 2023, was in the process of collecting the remaining overpayments of over a million dollars. According to several witnesses, configuration issues within the Payroll System and low staffing levels within BAPS contributed to the missed retirement contributions and other retroactive payment issues.

The OIG recommends the Department of Audits conduct a review to determine if retirement contributions have been missed on prior retroactive payments within the Payroll System. Additionally, the OIG suggests that DHR and DOF collaborate to review possibilities of customizing Payroll System functions for different unions and other employee pay groups to prevent future irregular payments.

Sincerely,



Isabel Mercedes Cumming  
Inspector General

CC: Hon. Brandon M. Scott, Mayor of Baltimore City  
Hon. Nick Mosby, Baltimore City Council President  
Hon. Bill Henry, Baltimore City Comptroller  
Honorable Members of the Baltimore City Council  
Hon. Ebony Thompson, Acting Baltimore City Solicitor

<sup>3</sup> AFSCME is an acronym for The American Federation of State, County and Municipal Employees.

**Baltimore City Employees'  
Retirement System  
Response**

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**Case # 23-0011-I**

CITY OF BALTIMORE

BRANDON M. SCOTT, Mayor



EMPLOYEE'S RETIREMENT SYSTEM,  
ELECTED OFFICIALS' RETIREMENT SYSTEM  
and RETIREMENT SAVINGS PLAN

DAVID A. RANDALL, Executive Director  
7 E. Redwood Street  
11th, 12th and 13th Floors  
Baltimore, Maryland 21202

March 22, 2023

Ms. Isabel Mercedes Cumming, Inspector General  
Baltimore City Office of the Inspector General  
Suite 635 City Hall  
100 N. Holliday Street  
Baltimore, Maryland 21202

RE: OIG Case # 23-0011-I

Dear Inspector Cummings:

I received your letter of February 27, 2023 requesting my response to OIG Case # 23-0011-I. The following actions were taken by the Baltimore City Retirement Systems ("ERS") regarding the matter:

On February 7, 2023, a meeting was held with City Auditor [REDACTED]. The ERS requested a full audit of Central Payroll and the [REDACTED] System as it relates to the calculation of City employees' pay and the calculation of the mandatory pension contributions for regular pay and retro-pays. As of the date of this letter, we have not received any update on the requested audit.

On February 16, 2023, a memo was submitted to the Director of Finance for ERS's normal annual Employer contribution. The missed retro pension deduction of \$533,548.68 was added to the memo. The ERS expects to receive that payment on July 1, 2023.

As always, please feel free to contact me with any questions or concerns.

Respectfully,

A handwritten signature in cursive script that reads "David A. Randall".


David A. Randall  
Executive Director

DAR/dsb

CC: Honorable Bill Henry, Comptroller  
Honorable Ebony Thompson, Acting City Solicitor  
Chezia Cager, Mayor's Chief of Staff  
Josh Pasch, City Auditor  
Faith Leach, Acting Chief Administrative Officer

**Department of Finance**  
**Response**  
**Case # 23-0011-I**

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FROM	NAME & TITLE	Michael Moiseyev, Director	CITY of BALTIMORE <b>MEMO</b>	
	AGENCY NAME & ADDRESS	Department of Finance 100 Holliday Street, 4 <sup>th</sup> floor		
	SUBJECT	OIG Case # 23-0011- I- Report of Investigation		

TO

Isabel Mercedes Cumming  
Office of the Inspector General  
100 N. Holliday Street, Suite 635  
Baltimore, MD 21202

DATE:

March 20, 2023

The Department of Finance investigated **OIG Report of Investigation Case # 23-0011-I** and reviewed the circumstances for the complaint alleging that the Bureau of Accounting and Payroll Services issued retroactive payments to City of Baltimore employees without deducting their retirement contributions.

#### Retirement Contributions

In late 2022 Memorandums of Understanding (MOU's) between the City of Baltimore and multiple labor unions were approved by the Board of Estimates, including approval of retroactive salary provisions for Fiscal Years 2022 and 2023. The MOU's included wage increases that needed to be processed retroactively dating back to July 2021.

In September 2022, the associated unions City of Baltimore (CUB) and AFSCME (Local 44) received a cost of living adjustment (COLA) for fiscal year 2022 and fiscal year 2023. The existing Retirement Systems (ERS) pension codes original configuration at that time did not include the retro feature. Employee retirement contributions were not deducted from those lump sum retroactive payments. Retroactive implementation of the COLA impacted employees causing \$534,000 in missed pension contributions.

When the issue was identified, stakeholders (Office of the Labor Commissioner, Department of Human Resources and Baltimore City Employees Retirement Systems) were notified and impacted employees were notified via targeted messaging on [REDACTED].

DHR/ Central Payroll met with (ERS) to discuss the missed contributions and how the City would address the missing contributions. At the outset, the option of employee repayment of missed contributions was considered, as well as the option for the City of Baltimore to cover the missed contributions. Ultimately, given the nature of the error and the burden on the impacted employees the decision was made to have ERS request the total amount of the missed contributions, which ERS did in February 2023.

As part of the response, Payroll created four reports to calculate the original base compensation and the new COLA. Due to other compensation factors, we were advised by ERS to hold off on collecting missed contributions until all COLA and or compensation adjustments were made. ERS was also granted full access to begin running the reports to see any retroactive compensation salary changes.

Creating the reports for each pension code is a reliable source of data which allows us to address any compensation changes and other retroactive changes. In addition, we received confirmation in February 2023 to move forward with turning on the retro feature for the four pension deduction codes associated with ERS. This process is currently in configuration and testing status. Once Payroll and ERS have completed testing and ERS has approved the changes, Payroll will move the changes into production. Anticipated completion timeline is April 30, 2023.

By turning on the retro feature, this will avoid any missed contributions related to retroactive actions. This feature worked for the other pension codes and will be a great benefit for ERS as well.

### **Payroll Staffing**

The Department of Finance agrees that staffing levels during the time period in question negatively impacted the ability to process payroll, particularly special projects (such as multiple retroactive salary increases over a long time period for a large number of employees). At the time Payroll had only one full time employee, supported by a team of contractors who lacked specific detailed knowledge of the City of Baltimore payroll configurations.

The Department of Finance has instituted several changes; including, shorter term supports such as temporary transfer of City personnel with specialized payroll knowledge from other agencies to Payroll, increased support from contractual resources, and longer-term efforts at targeted recruitment.

Payroll outcomes are dependent on configurations on the Human Resources side, such as compensation, union type, job profile, etc. Since the implementation of [REDACTED] the Department of Finance and Department of Human Resources meet weekly on payroll configurations to review project status and identified issues. Members of DHR participate in supporting, testing, and providing feedback on any proposed Payroll change and this partnership will continue.

Thank you for the opportunity to provide feedback.

cc: Brandon M. Scott, Mayor  
Chezia Cager, Chief of Staff  
Faith Leach, Chief Administrative Officer  
Simone Johnson, Deputy Chief Administrative Officer  
Ebony Thompson, City Solicitor  
Quinton Herbert, Director and Chief Human Capital Officer  
David Randall, Executive Director, Employee Retirement Systems  
Michael Moiseyev, Director of Finance

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]