

OFFICE OF THE INSPECTOR GENERAL
CITY OF BALTIMORE



Isabel Mercedes Cumming
Inspector General

Investigative
Report Synopsis

OIG Case # 24-0001-I

Issued: September 28, 2023



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



September 28, 2023

Dear Citizens of Baltimore City,

On July 13, 2023, the Office of the Inspector General (OIG) received a complaint alleging that, as of July 2023, Baltimore City Public Schools (City Schools) had not initiated retirement contributions for 572 Retirement Savings Plan (RSP)-eligible employees hired between 2014 and 2021, resulting in more than \$5,000,000 of missed employee deductions and employer contributions for City Schools employees. The complaint further alleged that since 2019, City of Baltimore Employees' Retirement System (BCERS) staff had been in contact with City Schools' senior management regarding missing retirement contributions.

BACKGROUND

BCERS manages the retirement programs available to City employees, including the City of Baltimore's (City) Retirement Savings Plan (RSP)¹. Per the City Code, Article 22A², any City Schools employee who is not eligible to participate in the Maryland State Retirement & Pension System (MSRA) and who is initially employed or reemployed on or after July 1, 2014, must become a member of the City's RSP. While most of City Schools' 10,000 employees, including all teachers and principals, are MSRA eligible, roughly 2,000 employees, including custodians, cafeteria workers, school police officers, and administrative staff, must enroll in the City's RSP.

City Schools RSP-eligible employees hired on or after July 1, 2014, are in the Class D plan and must contribute five percent of their annual base pay. The five percent contribution is deducted pre-tax from employees' regular bi-weekly paychecks, and City Schools must provide a matching employer contribution. New employees have 150 days to select between the hybrid and non-hybrid retirement plans. A new employee who does not select a plan defaults to the hybrid plan. Employee deductions for the hybrid plan begin twelve months from the employee's start date. Deductions for the non-hybrid plan begin six months from the hire date. Employees who become vested and elect to leave City Schools' employment are entitled to receive their employee contribution, City Schools' employer contribution, and market earnings.

OIG INVESTIGATION

The OIG found evidence to support the complaint allegations. In November 2022, BCERS's auditors notified BCERS that during the fiscal year 2022 audit, 572 City Schools employees in the Class D contributory plan had zero employee contributions.

Multiple witness statements established that, as early as 2019, City Schools' leadership team members, including Finance and Human Capital personnel, were aware of issues with RSP enrollment. City Schools' personnel received written notification in January 2020, December 2022, and July 2023 that many employees were missing retirement contributions. The January 2020 correspondence from

¹ <https://www.bcercs.org/retirement-savings-plan/>

² <https://legislativereference.baltimorecity.gov/city-codes>

REPORT FRAUD, WASTE AND ABUSE

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

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

BCERS identified approximately 300 City Schools employees whose retirement contributions had not started.

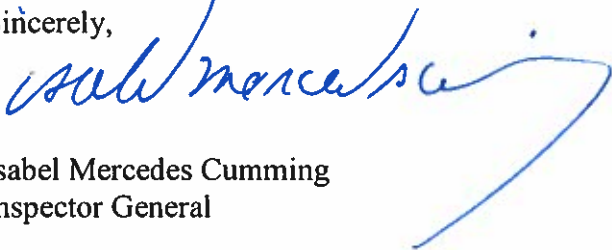
The OIG investigation found that City Schools' RSP enrollment process was manual until City Schools hired an IT consultant who automated the function as of May 2022. New employees have 150 days to select between the hybrid and non-hybrid retirement plans. Employees who do not choose a retirement plan will default to the hybrid option. The OIG learned that if City School employees hired between July 2014 and May 2022 did not select a plan, they were often not enrolled. A City Schools Division Chief (Division Chief) explained that Human Capital did not have a default process or a mechanism to identify these employees until May 2022. According to the Division Chief, the IT consultant implemented a script that creates an automatic trigger when an RSP-eligible employee does not select a plan.

The OIG found it noteworthy that City Schools and BCERS pursued system changes that partially addressed the issue and prevented it from affecting employees hired after May 2022. BCERS worked with City Schools to take over the new-hire process, and City Schools implemented automation to enroll employees who defaulted to the hybrid plan. However, neither change appropriately addressed the missing contributions for the 300 employees first identified in January 2020. BCERS has also requested view-only access to City Schools' Human Capital Information System (HCIS) to assist with retirement administration. City Schools personnel reported they are inclined to grant BCERS access and have been in contact with BCERS regarding developing a data-sharing agreement.

A BCERS letter to City Schools dated September 5, 2023, stated the total amount of missed employee and employer contributions due was \$5,179,434.00. BCERS included a summary with the letter indicating the final agreed-upon number of employees impacted for missed employee contributions and employer contributions was 474. On September 7, 2023, City Schools wired \$5,179,434.00 to BCERS to cover the contributions for the affected employees. On September 8, 2023, City Schools notified the affected employees in writing and waived reimbursement of missed contribution amounts and salary overpayments for all affected employees.

The OIG recommends continued communication between BCERS and City Schools senior leadership to finalize the solution for the affected employees. Additionally, the OIG recommends that BCERS and City Schools complete a formal data-sharing agreement.

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

REPORT FRAUD, WASTE AND ABUSE

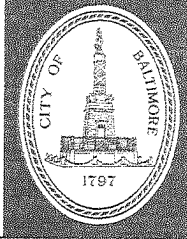
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**Baltimore City Employees'
Retirement System
Response
Case # 24-0001-I**

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

September 25, 2023

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

RE: OIG Case # 24-0001-1

Dear Ms. Cumming:

Per your request of September 12, 2023, this is the BCERS/RSP official response regarding the OIG Report of Investigation regarding the allegation that, as of July 2023, the Baltimore City Public Schools had not initiated retirement contributions for 572 Retirement Savings Plan (RSP)-eligible employees, resulting in over \$5,000,000 of missed employee deductions and employer contributions for City Schools employees.

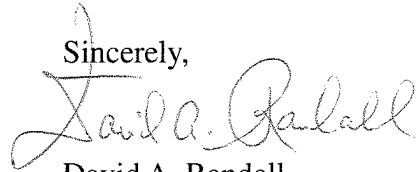
Thank you and your team for your input on this issue. Since the onset of the investigation, we have made significant progress. Upon our audit, we found that the actual number of affected employees totaled 474 members. The reduced number stems from the removal of terminated employees from the original population. On September 7, 2023, we received payment from the Baltimore City Public Schools in the amount of \$5,179,434.00 which brings whole the accounts of the 474 affected members as of pay period ending September 8, 2023. In addition, we have confirmed with the Baltimore City Public Schools that the automatic contribution utility is now fully functional. Impacted members with a pay date of September 15, 2023, saw their first contribution withheld from their pay checks.

We will continue to work in collaboration with Baltimore City Public Schools to ensure that this type of concern is avoided going forward. As evidence of this partnership and per your recommendation, we will continue to work with Baltimore City Public Schools to gain view only access to Oracle Fusion. It is our hope and expectation that a data-sharing agreement be executed and implemented no later than the end of the first quarter, March 31, 2024, to prevent mishaps due to our office's inability to verify accurate and timely receipt of data.



If you have any questions or need additional information, I can be reached at 443-984-3180.

Sincerely,

A handwritten signature in cursive script that reads "David A. Randall". The signature is written in black ink and is positioned above the printed name.

David A. Randall,
Executive Director

CC: Honorable Brandon M. Scott, Mayor
Marvin James, Interim Chief of Staff
Honorable Ebony M. Thompson, Acting City Solicitor
Faith Leach, Chief Administrative Officer
Simone C. Johnson, Deputy City Administrator
Michael Moiseyev, Director of Finance
Jushua Civin, City Schools Chief Legal Officer

Baltimore City Public Schools

Response

Case # 24-0001-I

September 26, 2023

Isabel Mercedes Cumming
Inspector General for Baltimore City
City Hall, Suite 635
100 N. Holliday Street
Baltimore, MD 21202

RE: OIG Case # 24-0001-I

Dear Inspector General Cumming:

On behalf of Baltimore City Public Schools (“City Schools”), I want to express our gratitude for the thorough review conducted by the Office of the Inspector General for Baltimore City (“OIG”) regarding enrollment of our employees in the City’s Retirement Savings Plan (“RSP”). As acknowledged in the OIG’s report, dated September 12, 2023, and discussed further below, City Schools has already taken steps to remedy the issues identified, in collaboration with the Baltimore City Employee’s Retirement System (“BCERS”).

As background, most of City Schools’ approximately 10,000 full-time employees, including all teachers and principals, participate in the Maryland State Retirement & Pension System (“MSRA”). The approximately 2,000 employees who are not eligible to participate in MSRA, including custodians, cafeteria workers, school bus drivers, and non-certificated administrative staff, must become members of RSP through its hybrid or non-hybrid plans. RSP-eligible employees who do not select a retirement plan are defaulted to the hybrid option. As the OIG found and both City Schools and BCERS acknowledge, a group of employees who did not choose a retirement plan and, thus, should have defaulted into the hybrid option, were not properly enrolled between 2014 and 2022. The OIG determined that this administrative oversight occurred “because the [enrollment] process was so manual.” The OIG commended City Schools and BCERS for working together to implement “system changes that partially addressed the issue and prevented it from affecting employees hired after May 2022.” Significantly, “City Schools implemented automation to enroll employees who defaulted to the hybrid plan.”

Unfortunately, these changes did not address the group of employees who should have automatically defaulted into the hybrid plan between 2014 and 2022. In its report, the OIG recognized that the challenges of responding to the COVID-19 pandemic, as well as staff turnover, delayed City Schools’ and BCERS’ efforts to remedy this issue. Once the leadership of BCERS resurfaced this issue in direct communications to the leadership of City Schools in the summer of 2023, the two agencies engaged in productive collaboration that led to swift action to remedy the situation.


As the OIG noted in its report, City Schools wired \$5,179,434 to BCERS on September 7, 2023 to fully fund the total amount of missed employee and employer contributions, as jointly agreed upon by the two agencies. The following day, City Schools sent letters and a Frequently Asked Questions document to affected employees. In those letters, we apologized for City Schools' administrative error and recognized that employees might face significant hardship if we were to require immediate repayment of their missed contribution amount or the excess salary overpayment that resulted from the delay in starting payroll deductions. To minimize the adverse impact, City Schools waived reimbursement of missed contribution amounts and salary overpayments for all affected employees. Prior to implementing these steps, City Schools leadership consulted with the leadership of BCERS and OIG, and we appreciate their constructive feedback.

City Schools agrees with the OIG's recommendation for continued communication between BCERS and City Schools senior leadership. Both agencies share a commitment to elevating significant issues for prompt resolution going forward.

Additionally, City Schools agrees with the OIG's recommendation that it should complete a formal data-sharing agreement with BCERS in the near term, which should streamline pension enrollment and administration in the future, while also appropriately safeguarding the privacy of employee data. The agencies will then review the agreement after City Schools implements its enhanced Human Capital Information System by 2025 to determine if it needs any adjustments due to the new system. City Schools' enhanced enterprise resource systems will reduce our reliance on manual payroll and employee benefit processes. For this reason, we have prioritized their overhaul by devoting scarce resources to a systemwide upgrade that we are in the process of implementing.

Please feel free to reach out to our Chief Legal Officer if you have any questions or concerns.

Sincerely,



Sonja Brookins Santelises
Chief Executive Officer

cc: Brandon M. Scott, Mayor, Baltimore City
Marvin James, Interim Chief of Staff, Baltimore City
Ebony M. Thompson, Acting City Solicitor, Baltimore City
Faith Leach, Chief Administrative Officer, Baltimore City
Simone C. Johnson, Deputy City Administrator, Baltimore City
Michael Moiseyev, Director of Finance, Baltimore City
David Randall, Executive Director, Employees' Retirement System (BCERS)
Alison Perkins-Cohen, Chief of Staff, Baltimore City Public Schools
Joshua Civin, Chief Legal Officer, Baltimore City Public Schools
Christopher Doherty, Chief Financial Officer, Baltimore City Public Schools
Emily Nielson, Chief Human Capital Officer, Baltimore City Public Schools