

OFFICE OF THE INSPECTOR GENERAL
CITY OF BALTIMORE



Isabel Mercedes Cumming
Inspector General

Investigative
Report Synopsis

OIG Case # 20-0012-I

Issued: December 12, 2022



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



December 12, 2022

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) began an investigation after receiving an anonymous complaint alleging that a Baltimore City Health Department (BCHD) vendor (Vendor) increased its rates for several services before any work began on the contract (Contract). The complaint also alleged that adding the software (Software) used by the Vendor to the Contract was not cost-beneficial, and that the Vendor bills the Software at a higher rate than the actual cost.

Price Increase

The OIG learned the Vendor received a price increase for four service items approximately six months after the Board of Estimates (BOE)¹ approved the Contract and before performing contract services. The Vendor had informed the City that its initial pricing was no longer financially viable for the company due to a decrease in the projected service volume. However, the Contract expressly states that BCHD does not guarantee any specific amount of services. Further, the Contract does not permit price increases within the Contract's initial term.

A former Bureau of Procurement (BOP) City Purchasing Director (Former CPD) approved the price increase without requesting BOE approval. An analysis of the Vendor's paid invoices from the start of the Contract to May 2022 revealed that the City paid \$3,543,056 more than it would have if the prices had remained fixed for the initial Contract term.

While attempting to determine if the price increase required BOE approval, the OIG confirmed that the City still has not established any change order policies for non-construction contracts since a prior OIG investigation report (#21-0047-I) uncovered that none existed. The OIG restates its previous recommendation that the City considers supplementing existing contract increase policies by establishing clear and comprehensive guidelines regarding the change order approval process for non-construction contracts and, specifically, when BOE approval for change orders is required.

Software

The Contract required the Vendor to provide BCHD with access to a shared software system to complete necessary functions. The investigation revealed that the prior vendor for the Contract reportedly provided BCHD with software at no additional cost. During the solicitation process, the Vendor submitted a letter to the Former CPD proposing the inclusion of a third-party company's (Third-Party) Software. The

¹ The BOE is responsible for awarding contracts and supervising all purchasing by the City. Information about these and other BOE responsibilities are available on the BOE's website: <https://comptroller.baltimorecity.gov/boe>.

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

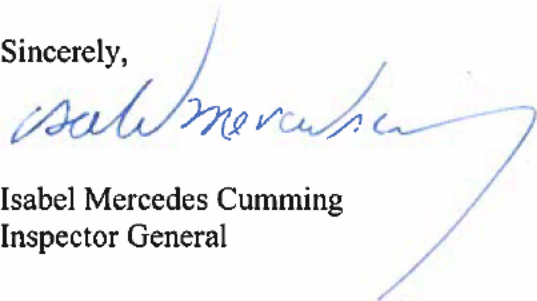
Vendor offered to provide 17 user licenses for the Software to BCHD at an annual cost of \$122,400. The Software was accepted by the City and the CPD claimed the annual costs were included in the BOE award amount, which the OIG corroborated.

A BCHD Executive said BCHD expected BOP to confirm the Software cost with the Third-Party. When asked if BOP would contact the Third-Party to confirm the pricing, the Former CPD stated BOP would typically confirm this only if they believed a vendor was lying. The OIG did not find evidence that BCHD or BOP contacted the Third-Party directly to confirm the Software costs before its inclusion in the BOE award.

The investigation discovered that the Vendor has a contractual agreement with the Third-Party to receive competitive preference for any new software developed. The Vendor bills the annual cost for the Software at a monthly rate of \$10,200. The Vendor's Chief Executive Officer (CEO) said that the City's cost of \$10,200 per month includes the Vendor's overhead expenses. According to information obtained, the Vendor divides BCHD's \$10,200 monthly payment between them and the Third-Party. The Vendor compensates the Third-Party \$4,335 for the City's Software access and retains \$5,865 for overhead costs.

Due to the City's addition and blind acceptance of the Software price and terms without confirming with the Third-Party or requesting further supporting documentation, a finding of overbilling cannot be supported. The OIG recommends that BOP coordinate with City agencies to provide protocols outlining responsibilities between BOP and City agencies for the confirmation of vendor pricing.

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. Jim Shea, Baltimore City Solicitor

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Department of Finance
and
Baltimore City Health
Department
Response
Case # 20-0012-I



Baltimore City Health Department
1001 E. Fayette Street • Baltimore, Maryland 21202
Brandon M. Scott, Mayor
Letitia Dzirasa, M.D., Commissioner of Health

TO: Isabel Mercedes Cumming, Inspector General
FROM: Letitia Dzirasa, M.D., Commissioner of Health
CC: Mayor Brandon M. Scott, Director Michael Moiseyev
SUBJECT: OIG Case #20-0012-I
DATE: December 8, 2022

This memo is written in response to the findings of the Office of the Inspector General (OIG) Case #20-0012-I report regarding the City's [REDACTED] contract. Below is a coordinated response from the Baltimore City Health Department and the Department of Finance.

The Health Department worked closely with and relied upon the expertise and knowledge of the Bureau of Procurement during the final stages of the [REDACTED] RFP process and contract award. The City Purchasing Agent at the time of the RFP and contract award approved pricing adjustments based on their authority as the City Purchasing Agent.

In accordance with each written contract, procurement follows the “escalation clause” of each contract, which may vary depending on the service or commodity. In this instance, the escalation clause of the contract did not permit a contract increase during the first term of the contract. Each professional in the Bureau of Procurement is required to follow all terms, clauses, and conditions of the contract. If the escalation clause specifies that the contract does not allow for a “change” or escalation in the first term, etc., the Bureau of Procurement will not process or approve.

After new leadership took on the role, internal Procurement guidance requires that all changes or escalation of contract pricing requires a multi-step procurement manager approval process before final review and approval by the City Purchasing Agents. If a contract is subsequently changed then the contract shall be amended with BOE approval.

The Health Department and Department of Finance, Bureau of Procurement agree with the recommendation for further coordination and protocols outlining the responsibilities between the Bureau of Procurement and City Agencies regarding changes in vendor pricing.