

OFFICE OF THE INSPECTOR GENERAL
CITY OF BALTIMORE



Isabel Mercedes Cumming
Inspector General

Investigative
Report Synopsis

OIG Case # 21-0047-I

Issued: March 2, 2022



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



March 2, 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 OIG reviewed information that suggested a vendor (Vendor) was potentially overbilling the City on a Baltimore City Health Department (BCHD) contract. The information indicated that services (Service 1 and Service 2) provided by the Vendor were absent from the contract's initial price sheet, and later, when added to the contract, the rate for Service 2 appeared to be higher than contractually allowed.

The investigation revealed that the Bureau of Procurement (BOP), the City's centralized purchasing agency, had made the bid solicitation available for vendor bidding without requesting pricing for Service 1 and Service 2. Subsequently, the Vendor was awarded the contract—which also did not contain this pricing—in 2018 by the City's Board of Estimates (BOE).¹

On January 31, 2019, BCHD noticed the first invoice from the Vendor contained charges for Service 1 and Service 2. BCHD management determined Service 1 and Service 2 were necessary services for the contract, so BCHD submitted a Change Order request to BOP to add these services to the contract.² According to a high-level BCHD employee, BCHD relied on BOP's guidance regarding the Change Order.

A former City Purchasing Agent for BOP approved the Change Order request to add Service 1 and Service 2 to the contract. However, the OIG could not locate any formal approval documents or any record that the Change Order was submitted to the BOE for approval.

While attempting to determine if BOE approval was required for this Change Order, the OIG learned there are no relevant BOE or Administrative Manual policies that directly address the Change Order process for non-construction contracts. Accordingly, the OIG could not determine whether authorizing the Change Order was within the City Purchasing Agent's authority or whether BOE approval was required.

The BCHD Change Order request established pricing for Service 1 and Service 2. In February 2021, BCHD employees learned that this pricing permitted the Vendor to bill a higher rate for Service 2 than allowed by the contract language. Although the BCHD contract did not establish pricing for Service 2, the OIG found contract language that states the cost for Service 2 shall not exceed the cost of another service (Service 3) listed on the contract. The Change Order established a higher rate for Service 2 than 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>.

² Change Orders are frequently used to amend City contracts.

REPORT FRAUD, WASTE AND ABUSE

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Vendor's rate for Service 3. This discrepancy between the approved Change Order rate for Service 2 and the lesser rate (Service 3) outlined in the contract language resulted in additional costs paid by the City under the BCHD contract.

The OIG found the allegations of overbilling by the Vendor to be unsubstantiated. The City allowed the Vendor to charge a higher rate for Service 2 when it approved the Change Order request. Nonetheless, the OIG determined that, at the time of this report, the City has paid the Vendor approximately \$139,224 more for Service 2 at the higher rate approved by the Change Order than it would have at the lower rate referenced in the contract language.

The OIG recommends that the City consider bolstering existing contract increase procedures by establishing clear and comprehensive policies regarding the Change Order approval process for non-construction contracts. Such policies should especially identify when BOE approval is required.

Sincerely,



Isabel Mercedes Cumming, Inspector General
Office of the 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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