

City Solicitor Response

Case #22-0026-I

CITY OF BALTIMORE

BRANDON M. SCOTT
Mayor



DEPARTMENT OF LAW
JAMES L. SHEA, CITY SOLICITOR
100 N. HOLLIDAY STREET
SUITE 101, CITY HALL
BALTIMORE, MD 21202

June 15, 2022

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

Re: Response to Report of the Office of Inspector General in Case #22-0026-I

Dear Inspector General Cumming:

The City Solicitor is responding to the Case #22-026-I.

The Finance Department, after consultation with the Law Department, alerted your office that it noticed questionable ACH (Automated Clearing House) withdrawals for electronic fund transfers from the City's Workers' Compensation Claims Corporate Checking Account (the "Account") between December of 2020 and January of 2022. Your investigation ensued. We are pleased to receive the anticipated investigatory report.

Your office discovered that the ACH fund transfers were fraudulent and worked with law enforcement. Your office also worked with the Finance Department to alert the City's bank to these issues and recover a large portion of the fraudulent ACH fund transfers.

You determined the Account, although funded by the City, is utilized solely by the City's Third-Party Workers Compensation Administrator ("Third-Party Administrator") to pay claims and other fees on the City's behalf. While the bank gave statements to the City concerning the fees charged to operate the Account, neither the Law Department nor the Third-Party Administrator received any detailed statements for Account transactions. Thus, the fraudulent ACH fund transfers out of the Account went undetected.

Your office concluded, and the Law Department agrees, that it would be best if the Law Department worked with the Finance Department to close the Account. The City's Third-Party Administrator should take over the payment functions done through this Account by opening its own account and billing the City for the money needed for those transactions. This will allow the Third-Party Administrator to closely monitor the account by reviewing detailed statements from its own bank. Eliminating the Account will also obviate the need for the City to pay Account fees.

Since the City's Third-Party Administrator already offered to manage these payments through its own bank account – fee-free – as part of its current contract with the City, shifting to this model should be expedient. It will also allow the Workers Compensation Contract Administrator to focus

on other aspects of her job and not task her with monitoring an Account for which the City does not initiate the transactions. (Although it should be noted that after learning of these fraudulent transfers, the Law Department promptly began requesting and reviewing the detailed Account statements).

The Law Department will work with the Finance Department to put in place any other necessary procedures to guard against fraudulent payments, including continuing to ensure that the City receives and the Law Department reviews, all detailed Account statements until the Account can be closed and that function transferred to the Third-Party Administrator.

Thank you for the invaluable work you do for the City and the opportunity to respond to your report in Case # 22-0026-I. If you have any questions, please reach out to me or to Hilary Ruley.

Very truly yours,

A handwritten signature in blue ink that reads "James L. Shea". The signature is written in a cursive style with a large initial "J" and "S".

Jim Shea
City Solicitor