

Department of Finance

Response

Case # 23-0011-I

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

DATE:

TO

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

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

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