

OFFICE OF THE INSPECTOR GENERAL CITY OF BALTIMORE



Isabel Mercedes Cumming
Inspector General

Investigative Report Synopsis

OIG Case # 20-0015-I

Issued: December 7, 2020



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



December 7, 2020

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. This case was conducted with the assistance and advisement of the Economic Crime Unit (ECU) at the States Attorney's Office.

On August 27, 2019, the OIG received a complaint from a Baltimore City vendor (Vendor) alleging they did not receive payment for services rendered, even though the Baltimore City Department of Finance (DOF) informed the Vendor the invoices were in fact paid. After the Vendor contacted the Bureau of Accounts Payable System (BAPS), they learned a Vendor Payment and Electronic Funds Transfer Form¹ (EFT) was submitted to BAPS department, rerouting the payments from Vendor's M&T Bank account to a Wells Fargo Bank. Additionally, on the EFT form the point of contact was changed. The Vendor contacted the OIG after receiving this information from BAPS and explained that they did not submit the new EFT form and the information outlined was false including the banking information.

The OIG confirmed that on April 30, 2019, the Vendor's banking remittance information was changed in the City Dynamics (Dynamics).² At the time of the change, the audit function in Dynamics was not active, so the OIG could not immediately identify who made the change in the system. However, upon further investigation the OIG was able to identify the BAPS employee who processed the EFT form. The BAPS employee changed Vendor's remittance bank from M&T Bank to a Wells Fargo Bank account that was not associated or authorized by the Vendor. The OIG found that between May 3, 2019 and July 5, 2019, the two EFT deposits, totaling \$62,377.50 went to the fraudulent Wells Fargo Bank account. The OIG issued a Management Alert to the DOF on September 27, 2019, outlining the issues. The employee who made the changes is no longer employed with Baltimore City.

With the assistance of the ECU, the OIG determined a suspect (suspect) who is the only individual named on the Wells Fargo account where the Vendor payments were deposited. The suspect is not an employee of the Vendor and is in no way affiliated with the company. Additionally, the suspect has never been an employee of the City of Baltimore. The suspect failed to report the erroneous deposits to Wells Fargo Bank, the City, the Vendor or to any law enforcement authority. It was determined through investigative means the suspect made several large withdrawals and multiple transfers in another State from the account, after the fraudulent deposits were made.

¹ The form used by City vendors to change payment remittance information including bank accounts and company contacts.

² City Dynamics is the accounting system for the City of Baltimore.

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On August 6, 2020, the OIG filed charges with the District Court of Baltimore City. The State of Maryland issued an Arrest Warrant charging the suspect with multiple counts of forgery and theft. Furthermore, the OIG assisted Risk Management in executing an insurance claim covering the full amount of \$62,377.50 to the Vendor. The OIG confirmed the Vendor was paid for their services.

Sincerely,

A handwritten signature in blue ink that reads "Isabel Mercedes Cumming". The signature is fluid and cursive, with a long horizontal stroke at the end.

Isabel Mercedes Cumming, Inspector General
Office of the Inspector General

Cc: Hon. Bernard C. "Jack" Young, Mayor of Baltimore City
Hon. Brandon Scott, President, City Council
Hon. Joan M. Pratt, Baltimore City Comptroller
Honorable Members of the Baltimore City Council
Hon. Dana P. Moore, Acting City Solicitor

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Director of Finance Response

Case # 20-0015-I

FROM	NAME & TITLE	Henry Raymond, Director of Finance <i>HR</i>	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Baltimore City Department of Finance 454 City Hall		
	SUBJECT	OIG Case # 20-0015-1		

TO

Isabel Cumming, Inspector General
Office of the Inspector General

DATE:
December 3, 2020

Thank you for your report involving this matter. After review, we concur with the findings in your report and have taken immediate action to strengthen controls over our electronic vendor payment process. The BAPS staff person noted in this report is no longer employed with the City.

- 1) BAPS has assigned a senior staff person to perform all changes, including updates and attachments to a vendor file within GP/Dynamics. This person will be responsible to ensure the accuracy and timeliness of any changes to the vendor record.
- 2) This BAPS staff person further validates any changes requested by the vendor by requiring, in addition to completed and signed EFT/ACH forms, a completed W-9 form, a copy of a voided check (if available) or Bank notification/relationship letter (on bank letterhead) or written consent to initiate/change EFT/ACH information from an individual (requestor's management representative) independent of the one signing the EFT form. BAPS will not accept faxed forms requesting a change.
- 3) The BAPS Accounts Payables manager will review, sign-off and approve every vendor EFT/ACH initiation, change form before the senior staff person uploads these supporting attachments and completes the system change. Each change to a vendor record will be noted in the comment section of the vendor file.

The report comments that BAPS moved to a new tool (Apex) and turned the payment system audit feature back on only to find that it too severely hampered the system performance and had to be disabled. Upon review with our consultants RSM, we determined that turning on the audit feature could again lead to a system crash which had to be averted. We are keenly aware of the system limitations to date and acknowledge we won't be able to provide complete assurance until the new Workday Day (ERP) system is in place next year.

Until the new system implementation occurs, BAPs will employ a manual, periodic audit/review process by running a monthly report of any system changes to vendor account data including name, address, banking changes, etc. and compare this against documentation received and attached to the vendor file in GP/Dynamics along with the staff's initials and date/time recorded in the system. The Accounts Payable manager will be responsible for this task with oversight from the Deputy Bureau Chief. The monthly report of system changes will be filed monthly for verification purposes.