

OFFICE OF THE INSPECTOR GENERAL
CITY OF BALTIMORE



Isabel Mercedes Cumming
Inspector General

Investigative
Report Synopsis

OIG Case # 23-0011-I
Issued: March 27, 2023



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



March 27, 2023

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) received a complaint in September 2022, alleging that the Bureau of Accounting and Payroll Services (BAPS) issued retroactive payments to a large number of City of Baltimore (City) employees without making deductions for employee retirement contributions. The complainant purported the Department of Finance (DOF) planned to deduct the missed retirement contributions from the affected employees' future pay without notification.

BACKGROUND

BAPS is a Department of Finance (DOF) division responsible for managing the accounting and payroll operations for the City, including payroll reporting for over 40,000 employees and retirees. BAPS issues one million payments annually to employees and retirees, totaling approximately \$900 million.¹ The City implemented a cloud-based software for human capital and financial management in October 2020 and has used it to process payroll (Payroll System).

The City of Baltimore Employees' Retirement System (BCERS) manages the retirement programs available to City employees. Class C and Hybrid Class D are the two affected retirement plan classes mentioned in this investigation report. The Class C Plan includes all employees hired from July 1979 to June 2014. The Hybrid Class D Plan consists of all employees hired on or after July 1, 2014, who selected the hybrid membership option. Both plans require employees to contribute five percent of their annual base pay to the respective retirement plans. The City deducts the five percent contribution from employees' regular bi-weekly paychecks. The City also makes annual employer contributions to the employee retirement system.

INVESTIGATION

Several DOF employees stated in late 2022, the City's agreements with multiple labor unions for Fiscal Years 2022 (FY 22)² and 2023 (FY 23) were retroactively approved. These employees stated the Memorandums of Understanding (MOUs) contained wage increases that would need to be processed retroactively as a lump-sum payment, dating back to July 1, 2021. BAPS began issuing retroactive payments for the wage increases in September 2022.

The investigation substantiated that the City did not deduct required retirement contributions of over half a million dollars from the retroactive payments. Baltimore City Employees' Retirement System (BCERS) leadership stated the affected employees belonged to the Class C and Hybrid Class D retirement plans.

¹ This and other information can be found on the BAPS website: <https://finance.baltimorecity.gov/bureaus/accounting>.

² FY 22 was from July 1, 2021, to June 30, 2022. FY 23 is from July 1, 2022, to June 30, 2023.

REPORT FRAUD, WASTE AND ABUSE

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This public synopsis is only a summary of a more comprehensive report of investigation submitted to the appropriate City management official

On February 16, 2023, the BCERS Executive Director included the missed contributions in BCERS's request for the City's annual employer contribution payment. Regarding proper notification, the OIG learned DOF informed the Office of the Labor Commissioner and Department of Human Resources (DHR) when the missed contributions were discovered. The DOF Director acknowledged to the OIG that the City might pay the missed retirement contributions on behalf of the affected employees. BCERS and its actuarial vendor determined that 4,341 City employees did not have retirement contributions deducted from their retroactive payments, totaling \$533,548.68 (Table 1).

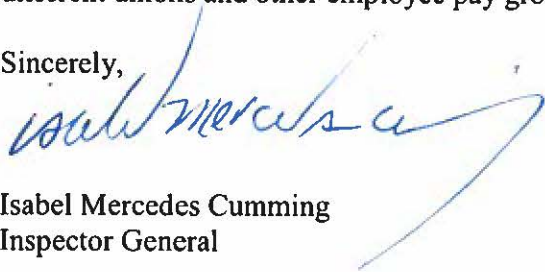
Table 1: Missed Retirement Contribution Information from BCERS Calculations

Unions Impacted	Class C Employees Affected	Hybrid Class D Employees Affected	Total # of Employees Affected	Total Missed Contributions
AFSCME ³ Council 67 & Local 558	38	15	53	\$8,811.38
AFSCME Local 2202	6	18	24	\$3,312.57
AFSCME Local 44	1,047	569	1,616	\$206,637.35
City Union of Baltimore (CUB)	1,757	891	2,648	\$314,787.38
Total	2,848	1,493	4,341	\$533,548.68

The investigation found additional discrepancies during the issuance of the retroactive increases, including overpayments to employees. Information obtained during the investigation indicates that approximately 279 employees received overpayments totaling \$4,390,464.68. The OIG learned DOF was able to reverse numerous overpayment transactions and, as of February 2023, was in the process of collecting the remaining overpayments of over a million dollars. According to several witnesses, configuration issues within the Payroll System and low staffing levels within BAPS contributed to the missed retirement contributions and other retroactive payment issues.

The OIG recommends the Department of Audits conduct a review to determine if retirement contributions have been missed on prior retroactive payments within the Payroll System. Additionally, the OIG suggests that DHR and DOF collaborate to review possibilities of customizing Payroll System functions for different unions and other employee pay groups to prevent future irregular payments.

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. Ebony Thompson, Acting Baltimore City Solicitor

³ AFSCME is an acronym for The American Federation of State, County and Municipal Employees.