

OFFICE OF THE INSPECTOR GENERAL
CITY OF BALTIMORE



Isabel Mercedes Cumming
Inspector General

Investigative
Report Synopsis

OIG Case # 22-0040-I

Issued: January 24, 2024



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



January 24, 2024

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 following synopsis is a condensed version of the full report provided to City of Baltimore (City) management officials and does not contain all investigative information.

The OIG received a complaint alleging that the Department of Public Works (DPW) overpays contractors for engineer's office space on various contracts at a non-City, co-working office building (Office Building).

BACKGROUND

The Office Building is not a City-owned property and is owned by a private company that is not a City vendor. DPW vendors lease office space at the Office Building for DPW employees and consultants to use as engineer offices. The OIG investigation focused on two of the numerous contracts that have utilized office space at the Office Building. The OIG examined the engineering office component of a Sanitary Contract (Sanitary Contract) and a Water Contract (Water Contract).

INVESTIGATION

City's Green Book and Engineer's Office

The OIG learned that the City's Specifications book (Green Book) provides the basis for the engineer's office in contract bid solicitations. The Green Book describes mobile housing units but acknowledges that other rental properties will be acceptable. Regarding payment for the engineer's office, the Green Book details that the City will pay the vendor at the lump sum cost specified in the contract documents.¹ Additionally, it states that 50% of the lump sum cost will be payable to the vendor on the first monthly estimate. Each subsequent payment should then be prorated in equal amounts.

A DPW supervisor (DPW Supervisor) stated that DPW no longer used mobile office trailers due to theft, vandalism issues, and the variability of locations for OEC contracts. The Sanitary Contract and Water Contract contained the line item for an engineer's office and included specifications for the contractors to provide a printer and computer. The OEC Supervisor explained that they were not involved in the Sanitary Contract and Water Contract procurement process but were allowed to pick the location of the engineer's office after the contract was awarded. The contractor then leased and paid for the offices directly.

¹ Lump sum pricing is a contract payment method that pays a contractor a previously agreed-upon fixed amount for a good or service.

REPORT FRAUD, WASTE AND ABUSE

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Sanitary and Water Contracts

The contract information reviewed shows that the Sanitary Contract was awarded to a vendor (SC Vendor), with work allowed to begin in 2020 and scheduled to end in October 2022. The SC Vendor submitted a lump sum cost of \$181,300 for the engineer's office in its bid. According to DPW's contract management system, DPW overpaid the initial engineer's office lump sum price and paid the SC Vendor a total of \$206,590.02. The OEC Supervisor attributed the overpayment to the prorated amount being incorrect. As of November 2023, the OEC Supervisor stated the Sanitary Contract was still open and work was continuing.

The City awarded the Water Contract to a vendor (WC Vendor) whose bid included a \$100,000 lump sum cost for the engineer's office. A change order² later added \$24,120 to the engineer's office line item. Nonetheless, contract documents showed that the DPW also exceeded this amount and paid the WC Vendor \$133,332.65 for the engineer's office line item. The OIG learned that the Water Contract work ended in October 2022.

Lease Records and Cost Comparison

The DPW Supervisor provided the OIG with the rooms utilized as engineers' offices in the Office Building for the Sanitary and Water contracts. The OIG subpoenaed the Office Building lease and payment information for the SC Vendor and WC Vendor. A review of the lease payment records revealed that the SC Vendor paid \$66,145 from October 2020 to November 2023 for the rooms DPW utilized for the Sanitary Contract. Furthermore, the WC Vendor's lease payments for DPW's Water Contract rooms totaled \$46,185. A comparison of DPW's reported room usage and the lease information showed a combined cost difference of \$227,592.67 for the Sanitary and Water Contracts (Table 1).

Table 1: Comparison of DPW Spend and Vendor Lease Cost as of November 2023

		Column A	Column B	Column C	Column D
Contract	End Date	Accepted Lump Sum Price	DPW Payments to Vendor	Vendor's Actual Lease Payments	Difference (Column B minus Column C)
Sanitary Contract	Ongoing	\$181,300	\$206,590.02	\$66,145	\$140,445.02
Water Contract	October 2022	\$124,120	\$133,332.65	\$46,185	\$87,147.65
Difference Between DPW Payments & Actual Lease Costs					\$227,592.67

INVESTIGATIVE FINDINGS

The Green Book states the City will pay the engineer's office at a lump sum price, which DPW established from the SC and WC vendors' contract bids. The investigation confirmed that since the bid solicitation requested lump sum pricing, the City did not verify what the SC and WC vendors spent for the engineer's office. While it is worth noting that the Sanitary Contract and the Water Contract vendors each provided office supplies, including laptops and printers for the City's work on the contract, the evidence obtained during the investigation supports a significant discrepancy between the vendor's bid price for the engineer's office and the actual leasing costs. The leasing records for the Sanitary Contract, which is still ongoing, show a disparity

² A written alteration to a previously signed contract for work. (<https://www.merriam-webster.com>)

REPORT FRAUD, WASTE AND ABUSE

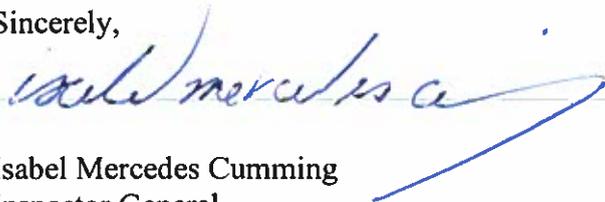
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between the City's payment and actual lease costs of \$140,445.02. According to the leasing documents reviewed and DPW's reported room usage, the investigation found the City paid \$87,147.65 more than the actual lease cost for the engineer's office on the Water Contract, which is now closed. As of November 2023, the combined cost difference totaled \$227,592.67.

The OIG recommends that DPW consider updating the Green Book language and evaluating the engineer's office line-item process to determine if more cost-effective measures may be viable for all contracts that require an engineer's office. During the review process, the OIG suggests DPW collaborate with the City's Department of General Services, Department of Real Estate, and Law Department during the review process.

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

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Department of Public Works

Response Case

22-0040-I

CITY OF BALTIMORE

BRANDON M. SCOTT, Mayor



DEPARTMENT OF PUBLIC WORKS

Richard J. Luna, Interim Director
Abel Wolman Municipal Building, 6th Floor
200 N. Holliday Street
Baltimore, Maryland 21202

December 13, 2023

Isabel Mercedes Cumming, Inspector General
Office of the Inspector General
100 North Holliday Street, Suite 640
Baltimore, MD 21202

RE: DPW's Response to OIG Case # 22-0040-I

Dear Inspector General Cumming:

This correspondence will serve as the official response to the OIG Case #22-0040-I (the "OIG Report") regarding the Department of Public Work ("DPW") allegedly overpaying for engineer's office spaces on various contracts at [REDACTED].

As of the date of this response, DPW's Office of Engineering and Construction ("OEC") is still completing a thorough investigation of all of the facts and findings presented in the OIG Report, and anticipates that will be completed by March 29, 2024. DPW does acknowledge that generally, [REDACTED] at issue in the OIG Report, DPW has awarded lump sum payments to its contractors for the Engineer's Office line item. In accordance with the Green Book, (*Section 13 22 00, Part 4 Engineers Office, Measurement and Payment*), DPW has customarily paid the referenced contractors 50% lump sum price on the first pay estimate, while paying the subsequent 50% at equal amounts over term of the contract. Notwithstanding, DPW's OEC must ensure that in accordance with the Green Book, each contractor submits a schedule of payment outlining details to be used in the calculation of monthly estimates for the Engineer's approval, where a lump sum contract is involved, and that DPW should only award lump sum payment for the actual costs the Contractors would incur, as verified.

To that end, DPW's OEC has already commenced implementing new processes to prevent further overpayment, including, but not limited to executing a new allowance payment method in awarding Engineer's Office line item. Further, DPW has already modified certain utility construction contracts, which often utilize commercial office space, to implement the allowance method, and which method tests the validity of the contractor's claimed costs. The allowance method requires the contractor to provide monthly itemized costs and supporting documentation for items, which include office/trailer rental costs, supplies, computers, copiers, water, etc., for DPW to review, verify and approve. This improved process is anticipated to be better for these types of projects where a standard construction trailer, used at plants or pumping stations, cannot be accommodated.

Additionally, DPW is currently in the process of evaluating the use of the allowance method for an Engineer's Office line item for all types of projects. DPW manages over \$200 Million of construction projects a year, and staff wants to select the best approach for the range of projects. It should be noted, during this evaluation period, DPW can continue to add contract language to project specifications to replace the lump sum method in the Green Book. Staff expects to complete this evaluation over the next few months. Upon completion of this evaluation, OEC will provide recommendations for any revisions/additions to the Green Book, and will continue working with the City's Law Department, Department of General Services, and other City Agencies, as needed, to work toward an improved process.

As noted in the OIG Report, there is some potential to cost savings for some types of projects. This ongoing evaluation will allow DPW to determine if it is advantageous on some project types, described above, or best implored across all DPW projects. The results of this evaluation and ongoing trial projects could improve aligning actual office expenditures with the bid price in the contract. Furthermore, DPW is eager to collaborate with the City's other departments in the future, as recommended in your letter, in implementing the most cost-efficient practice for serving the great citizens of Baltimore City.

I extend our gratitude for your continued partnership and for bringing this matter to our attention. If you have any questions or require further information, please do not hesitate to contact DPW's Chief Administrative Officer, Deepti Modha, at deepti.modha@baltimorecity.gov or Chief of Office of Engineering and Construction, Timothy Wolfe, at timothy.wolfe@baltimorecity.gov.

Sincerely,



Richard J. Luna,
Interim Director

cc: Honorable Mayor Brandon M. Scott
Marvin James, Chief of Staff
Faith P. Leach, Chief Administrative Officer
Simone C. Johnson, Deputy City Administrator
Ebony M. Thompson, Acting City Solicitor
Deepti Modha, DPW's Chief Administrative Officer
Timothy Wolfe, DPW's Chief of Office of Engineering and Construction