Investigative Report Synopsis

OIG Case # 22-0050-I

Issued: August 9, 2022
August 9, 2022

Dear Citizens of Baltimore City,

The mission of the Office of the Inspector General (OIG) is to promote accountability, efficiency, and integrity in the City of Baltimore (City) government, as well as to investigate complaints of fraud, financial waste, and abuse. On May 2, 2022, the OIG received a referral from the City’s Department of Finance (DOF) regarding the DOF’s Bureau of Revenue Collections (BRC) division’s issuance of a $2,014,571.63 erroneous refund to an incorrect party.

In June 2021, a City vendor responsible for processing numerous City bill payments (Payment Vendor) improperly processed a payment intended to satisfy a property tax for a company (Company) in the City. The Payment Vendor applied the Company’s payment of $1,008,905.89 to a property tax bill for a different organization (Organization). At the time, the Organization held multiple outstanding property tax bills totaling $1,612.72.

The DOF indicated an attempt was made to transfer the payment from Organization’s account to the Company’s account. However, the software system for property tax bills, provided to DOF by a contracted software vendor (Software Vendor), applied an additional payment to the Organization’s account. The system issued a refund check for the combined balance of $2,014,571.63 to the Organization on March 29, 2022. Following the issuance of the erroneous check, the Owner (Owner) of the Organization deposited the check into their bank account on April 1, 2022.

BRC issued five demand letters on April 28, 2022, to addresses known to be associated with the Owner and the Organization. The OIG issued subpoenas for bank information from the Organization’s banking institution (Bank). The investigation revealed that the Owner spent approximately $58,000 of the deposited funds on purchases and had an overdrawn balance. The OIG has not found any evidence that supports the Owner had made any previous payments on the Organization’s property tax account, received any previous payments from the City as a vendor, and is still responsible for the $1,612.72 due to the City for property taxes.

The investigation determined that $58,355.55 of the funds deposited by the Owner could not be recovered by the City. The Bank informed the DOF that it placed a hold on the Owner’s account for the remaining balance. On May 3, 2022, the DOF provided the Bank with the City's wire instructions to transfer the funds back to the City. The OIG confirmed with DOF that on May 12, 2022, the Owner’s Bank returned $1,956,216.08 to the City by wire transfer.
The DOF provided critical information that assisted the OIG in referring this matter to the appropriate law enforcement entities to pursue a criminal investigation against the Owner, which is ongoing as of the date of this report. The OIG recommended the DOF review the Payment Vendor’s and Software Vendor’s contracts with the Baltimore City Law Department to determine if any financial loss protection exists. Additionally, the OIG recommended that the DOF coordinate with the Software Vendor to develop processes to prevent future erroneous refund issues.

Sincerely,

Isabel Mercedes Cumming
Inspector General

cc:  Hon. Brandon M. Scott, Mayor of Baltimore City
     Hon. Nick Mosby, President, City Council
     Hon. Bill Henry, Baltimore City Comptroller
     Honorable Members of the Baltimore City Council
     Hon. Jim Shea, City Solicitor
Department of Finance
Response
Case #22-0050-I
TO: Isabel Mercedes Cumming  
Inspector General  
Office of the Inspector General

DATE: July 18, 2022

Subject: Erroneous Personal Property Tax Refund

This memo is in response to the Department of Finances (DOF) Bureau of Revenue Collections (BRC) division’s issuance of a $2,014,571.63 erroneous refund to the incorrect party.

The erroneous refund occurred due to a couple of factors- the vendor [redacted] services improperly processed a payment intended to satisfy a personal property tax bill for another account in June 2021. Instead [redacted] applied that businesses payment of $1,008,905.89 to a personal property tax bill for the business [redacted] through a key in error, transposing digits in an account number.

[redacted] provides the [redacted] software system which is utilized to process personal property tax bills. When the DOF attempted to reverse the payment from [redacted] account and apply the payment to the correct vendor in [redacted] the payment did not reverse, but duplicated creating a $2,014,571.63 credit to [redacted] account.

When Personal Property tax refunds were processed in March 2022 and [redacted] was issued a check for the previously specified amount. A representative for [redacted] deposited the check in [redacted] account.

In response to these events, DOF took the following actions:

a. notified relevant parties including the Office of the Inspector General and the Law Department. retrieved the remaining funds that were in [redacted] of $1,956,216.08 on May 12, 2022;

b. [redacted]

c. Vendor follow up with [redacted] representatives to understand why the payment was duplicated versus deleted. To date, the vendor has been unable to recreate or explain the duplication. DOF will continue to follow up with the vendor to obtain an explanation.

d. DOF updated its SOP’s for the personal property unit as it relates to issuing refunds; this includes instituting a review of all refund transactions over $10,000 to confirm that: the refund is valid, the refund is intended for the originating account, that no outstanding bill exits on the originating account.

e. DOF will continue to follow up with the Law Department to ascertain any contractual remedies available to the City as relates to the vendors, [redacted].