

OFFICE OF THE INSPECTOR GENERAL
CITY OF BALTIMORE



Isabel Mercedes Cumming
Inspector General

Investigative
Report Synopsis

OIG Case # 23-0030-I

Issued: February 29, 2024



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



February 29, 2024

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

The OIG received a complaint with concerns regarding a City program (City Program) that included an allegation of an overall lack of process and communication regarding the grantee selection process. The OIG was unable to find evidence to support that allegation. Nonetheless, during the investigation, the OIG received information that a nonprofit organization (Nonprofit Organization) was terminated from the City Program for expending federal grant funds for unrelated activities.

The City Program is financed with American Rescue Plan Act (ARPA)¹ funds, which the Mayor's Office of Recovery Programs (MORP) administers. The Department of Planning (DOP) leads the management of the City Program with a fiscal sponsor, the Baltimore Civic Fund (BCF), who assisted with the grant application process and financial disbursements.

OIG INVESTIGATION

The investigation confirmed there were no concerns with the Nonprofit Organization's work performance. The OIG reviewed work records supporting significant work performed by the Nonprofit Organization. According to a Department of Planning (DOP) Executive, the citizens that the Nonprofit Organization served were satisfied.

The Nonprofit Organization received a \$414,477.50 advance to begin City Program operations in January 2023. A Nonprofit Organization employee and subcontractor reported to DOP in May 2023 that the Nonprofit Organization had not paid them for wages and services, respectively. According to DOP personnel, the Nonprofit Organization said it had used funds to pay for salaries related to a separate, Department of Public Works (DPW) contract. DOP, MORP, and the BCF terminated the Nonprofit Organization's contract for using funds restricted to the City Program for other projects. The Nonprofit Organization expressed that it experienced political pressure and targeting regarding its involvement in the City Program. Although the investigation noted political involvement, the OIG did not find evidence to support that any political influence factored into the termination decision.

¹ ARPA provided the City of Baltimore \$641 million in funding due to COVID-19 and its negative economic impacts.

REPORT FRAUD, WASTE AND ABUSE

HOTLINE: 443-984-3476/800-417-0430 EMAIL: OIG@BALTIMORECITY.GOV WEBSITE: OIG.BALTIMORECITY.GOV

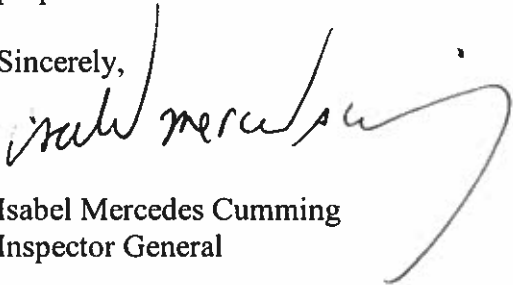
This public synopsis is only a summary of a more comprehensive report of investigation submitted to the appropriate City management official

BCF completed a review to reconcile the Nonprofit Organization's allowable City Program expenses. It was verified that the Nonprofit Organization used \$285,298.80 of the \$414,477.50 advance for the City Program. Expenses of \$20,991.33 were disallowed, and \$108,187.37 were found to be unaccounted for. After the reconciliation, it was alleged the Nonprofit Organization owed \$129,178.70 as a repayment for the initial advance. According to DOP's attached response, the Nonprofit Organization has communicated that it does not have funding to repay the balance owed.

The OIG subpoenaed the Nonprofit Organization's financial records. The Nonprofit Organization operated with a positive account balance at the start of its City Program participation and before the advance was received. The OIG found no evidence that the Nonprofit Organization's executives used the unaccounted funds for personal expenses. The records indicated that some monies were used for business expenses that were either unrelated or not billable for the City Program. Between January and April 2023, the Nonprofit Organization spent \$68,741.48 to the Internal Revenue Service for quarterly employee payroll taxes, \$56,000 for two work equipment items, \$55,000 for a loan repayment, and \$30,000 towards a vehicle. These items amounted to \$209,741.48 and were not listed on the approved City Program budget. The Nonprofit Organization also reported expending \$96,711.12 in funds for salary, insurance, and training, which they stated were not billable to the City Program. The OIG's independent financial review showed that after receiving the advance in January 2023 and other non-City Program deposits, the Nonprofit Organization's ending account balance on April 30, 2023, was left in a negative balance.

The DOP and BCF moved quickly once they were notified of the payment shortages. The OIG noted the swift compliance actions taken by MORP once it was verified the funds were not being used for the purpose intended.

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, Baltimore City Solicitor

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

Brandon M. Scott
Mayor



Chris Ryer
Director

February 9, 2024

Isabel Mercedes Cumming
Inspector General
City Hall, Suite 635
100 N. Holliday Street
Baltimore, MD 21202

Re: OIG Case # 23-0030-I

Dear Inspector General Cumming:

Thank you for the opportunity to provide a response to OIG Case # 23-0030-I. The Scott Administration appreciates the report's finding that there was no evidence to support the allegation of a lack of process and communication regarding the [REDACTED] grantee selection process. In addition, we thank the OIG for reinforcing that quick compliance actions were taken by the Mayor's Office of Recovery Programs (MORP) the Department of Planning (DOP) and the Baltimore Civic Fund once issues with the grantee were identified.

Baltimore City was awarded \$641 million in American Rescue Plan Act (ARPA) funding. The Scott Administration has prioritized the use of this once in a generation level of funding to address historical inequities and prioritize underserved communities and populations. In addition, this funding has been used to provide organizations that typically do not have access to such federal grant funding with an opportunity to participate and contribute to the city's recovery from the health and economic impacts of the COVID-19 pandemic. These organizations have various levels of federal grants management experience and internal controls. Accordingly, city agencies that are partnering with these organizations have developed robust training and monitoring processes and procedures to ensure compliance and to minimize the risk of waste, fraud and abuse.

The OIG report was useful in providing additional information and insight into [REDACTED] misuse of ARPA funds granted for activities related to [REDACTED] program. As noted in the report, the reconciliation of [REDACTED] expenses conducted by the Civic Fund determined that [REDACTED] appropriately spent \$285,298.80 of the advanced grant funds of \$414,477.50.

In an email sent on July 17, 2023, the Civic Fund notified [REDACTED] that a balance of \$129,178.70 must be returned to the Civic Fund, as this portion of the advanced funds could not adequately be substantiated as having been expended in furtherance of approved [REDACTED] activities. Since then, [REDACTED] has consistently communicated that the organization does not have funding to repay the balance owed. However, the Civic Fund is continuing their efforts to recoup the outstanding balance. [REDACTED] misuse of federal grant funds is a serious matter that cannot be overlooked. The Civic Fund requires that the balance owed be paid in full or the Civic Fund reserves the right to take additional enforcement actions.

If you have any questions about the information contained in this letter, please do not hesitate to contact me at Chris.Ryer@baltimorecity.gov.

Sincerely,



Chris Ryer
Director

City of Baltimore | Department of Planning
417 E. Fayette St., 8th Floor | Baltimore, MD 21202

cc: Honorable Brandon M. Scott, Mayor
Marvin James, Chief of Staff
Honorable Ebony M. Thompson, Acting City Solicitor
Faith P. Leach, Chief Administrative Officer
Simone C. Johnson, Deputy City Administrator
Shamiah Kerney, Director of Mayor's Office of Recovery
Nichole Stewart, Assistant Director of Planning