



## **Public Synopsis**

OIG Report #2015-0492

Unauthorized Fees Charged by Vendor at City Unclaimed  
Vehicle Auctions



**OFFICE OF INSPECTOR GENERAL  
BALTIMORE CITY**

100 N. Holliday Street, Rm. 640  
Baltimore, MD 21202



**Public Synopsis**

**Synopsis of OIG Report #2015-0492: Unauthorized Fees Charged by Vendor at City Unclaimed Vehicle Auctions**

**TABLE OF CONTENTS**

**TRANSMITTAL MEMORANDUM ..... 1**

**OIG NOTICE REGARDING REPORTS ..... 2**


**PUBLIC SYNOPSIS ..... 3**

**INTRODUCTION ..... 4**

**BACKGROUND ..... 4**

**SUMMARY ..... 4**

**REFERRAL.....6**

<b>FROM</b>	NAME & TITLE	Robert H. Pearre, Jr., Inspector General <i>RHP</i>	CITY OF BALTIMORE <b>MEMO</b>	
	AGENCY NAME & ADDRESS	Office of Inspector General 640 City Hall		
	SUBJECT	Synopsis of OIG Final Report #2015-0492		

**TO**

DATE:

Hon. President and Members of the City Council  
400 City Hall

11/24/2015

Please find attached the Office of Inspector General's (OIG) Public Synopsis of Case #2015-0492, which involved a City Vendor charging additional unauthorized fees to patrons of the City's Unclaimed Vehicle Auctions for the period of 01/01/2015 to 09/30/2015.

On 04/15/2015, the OIG received a complaint from Department of Transportation (DOT) Management regarding the City's Unclaimed Vehicle Auctions taking place at 6700 Pulaski Highway. DOT Management stated that they had received complaints from several auction participants that the Auctioneer, Express Auction Services, Inc. (Express), had been charging an additional \$10 fee per vehicle purchased for processing paperwork.

The OIG investigation confirmed that Express was charging an unauthorized additional fee. Between 01/01/2015 and 09/30/2015, 5,039 vehicles were sold at the City's Unclaimed Vehicle Auction resulting in a total of \$50,390 in unauthorized fees charged to auction participants. On 09/21/2015, The Bureau of Purchases issued a letter to Express Auction Services, Inc. demanding the cessation of the unauthorized fees and is currently working with Express Auction Services, Inc. on the potential repayment of the unauthorized fees.

The OIG would like to thank all of the City agencies and employees who acted as valuable partners in working towards the successful conclusion of this investigation. The OIG looks forward to continuing our partnership to strengthen policy, procedure, and internal oversight protocols.

PLEASE VISIT OUR WEBSITE @ [baltimorecity.gov](http://baltimorecity.gov)

- This report is available to the public in print or electronic format.
- To obtain a printed copy, please call or write:

Office of Inspector General  
100 N. Holliday Street  
Suite 640, City Hall  
Baltimore, MD 21202

- Baltimore City employees, citizens, and vendors or contractors doing business with the City should report fraud, waste, and abuse to the **Fraud Hotline. Call 1-800-417-0430** (24 hours a day, 7 days a week).
- Notifications of new reports are now available via Twitter by following us **@OIG\_BALTIMORE**.

Public Synopsis



**OFFICE OF INSPECTOR GENERAL  
BALTIMORE CITY**

100 N. Holliday Street, Rm. 640  
Baltimore, MD 21202



**Public Synopsis**

**Synopsis of OIG Report #2015-0492: Unauthorized Fees Charged by Vendor at City  
Unclaimed Vehicle Auctions**

**Subject:** Express Auction Services, Inc.

**Introduction**

On 04/15/2015, the OIG received a complaint from Department of Transportation (DOT) Management regarding the City's Unclaimed Vehicle Auctions taking place at 6700 Pulaski Highway. DOT Management stated that they had received complaints from several auction participants that the Auctioneer has been charging an additional \$10 fee per vehicle purchased for processing paperwork.

**Background**

Abandoned vehicles and vehicles towed away from accidents are brought to impound facilities overseen by DOT. If a vehicle is not claimed within 11 days, DOT places the vehicle up for auction. Unclaimed Vehicle Auctions are open to the public and take place on Wednesdays of every other week at 10:00am. Attendees pay a \$25 non-refundable registration fee upon entering. The registration fee is applied to the purchase of a vehicle.<sup>1</sup>

Auctions are conducted by auctioneers from Express Auction Services, Inc. (Express) under contract number B50002157 – Auction Services. The Bid Price Sheet submitted by Express states: *"The Undersigned agree(s) to provide all labor, materials, services, etc., necessary and incidental to the solicitation indicated at the top of this page, as described herein and at the pricing shown below."* Express indicated on their Bid Price Sheet that their commission on Impounded or Abandoned vehicles was 4.25%.

**Summary**

The OIG interviewed several individuals who have participated in Unclaimed Vehicle Auctions. These individuals stated that the auctioneer had implemented a \$10 paperwork processing fee per

---

<sup>1</sup>If one vehicle is sold at auction for \$100, the winning bidder would pay the balance of \$75.

vehicle, which was added to the purchase price.<sup>2</sup> Regular auction participants indicated that this additional fee was implemented around January 2015.

On 05/27/2015, OIG personnel attended the Unclaimed Vehicle Auction and met with the President of Express who stated that in December 2014, he met with personnel from the Bureau of Purchases (BOP) to discuss the contract. The President stated that at this meeting there was a verbal agreement to allow Express to charge \$10 for processing but that he did not have any form of documentation to support the verbal agreement or the modification to the contract. Further, the President stated that Express had been charging the \$10 processing fee since January 2015.

OIG personnel met with BOP personnel to determine if such a fee was allowed under the terms of the contract. BOP personnel stated that they did meet with the President of Express to discuss the contract and his request to be allowed to charge a \$10 processing fee. However, BOP personnel indicated that such request would require an amendment to the existing contract.<sup>3</sup> Further, BOP personnel stated that no written request for a modification of terms was submitted by Express during or after the meeting and follow up phone calls were not returned.

On 06/10/2015, the OIG presented DOT, BOP, and the Law Department with a memorandum of findings.

On 09/21/2015, BOP sent a letter to Express notifying them that they were in default of a material term of their contract. The letter further required immediate cessation of the unauthorized fees and for Express to develop a plan of action for refunding the unauthorized fees. Since the receipt of the letter from BOP, Express has ceased charging the additional fees.<sup>4</sup>

By their own admission, Express has been charging processing fees since January 2015. The OIG believes that the addition of a \$10 fee constitutes a modification to the existing contract and would require a written amendment that must be submitted to the Board of Estimates for approval. To date, no amendment to contract B50002157 has been submitted to, or approved by, the Board of Estimates. As such, the OIG believes that any and all processing fees charged by Express are unauthorized and not in compliance with the terms of the contract. Between 01/01/2015 and 09/30/2015, 5,039 vehicles were sold at the City's Unclaimed Vehicle Auction resulting in a total of \$50,390 in unauthorized fees charged to auction participants.<sup>5</sup>

---

<sup>2</sup>If one vehicle is sold at auction for \$100, the winning bidder would pay the balance of \$75 plus a \$10 paper fee, or \$85.

<sup>3</sup>Per the Statement of Work section 18, subsection C of Contract B50002157, any modification to the contract must be "*approved in writing before the change takes effect.*"

<sup>4</sup>On 09/30/2015, another Unclaimed Vehicle Auction was held. Per an auction participant, the additional fees were charged at the 09/30/2015 auction. Due to a change of address, Express auction did not receive the letter from BOP until after the conclusion of the auction.

<sup>5</sup>Under B50002157, Express also conducts auctions for Department of General Services' (DGS) surplus City-owned vehicles and equipment. OIG personnel have not attended a DGS surplus vehicle and equipment auction due to the timing of the events and, as such, were unable to determine if additional fees are being charged by Express. Since January 2015, 121 vehicles and pieces of equipment have been sold at the DGS surplus vehicle and equipment auction equating to a potential \$1,210 in unauthorized fees.

## Referral

Initial results of the OIG investigation were referred to BOP for further action as deemed appropriate. During the course of the investigation, the OIG also recommended that DOT include language in the posted Vehicle Auction Lists that provides a phone number for auction participants to call in the event that they are asked to pay additional fees. BOP then made the determination to issue a letter to Express notifying them that they were in default of a material term of their contract. Currently BOP and Express are working to reach a resolution regarding the repayment of additional fees to auction participants.