

## City Council calls for investigative hearing on overlooked \$40 million

By Annie Linskey, *Baltimore Sun*, April 21, 2009

City Council members called Monday night for an investigative hearing to look into how the city's Finance Department overlooked \$40 million in partial property tax payments for a decade.

"I think that we have a responsibility to the taxpayer and the citizens of Baltimore to make certain we are abundantly clear how this happened and make sure it will never happen again," said City Councilman William H. Cole IV, who chairs the city's finance committee.

The hearing is set for April 30 and will be co-chaired by the chair of the budget committee, Councilman Bernard "Jack" Young. Council members have also asked the legal department to find ways to use the recently uncovered surplus toward closing next year's budget gap, though finance officials believe the extra money must go toward reducing the next city bond purchase.

"There is clearly a consensus that we want to use this money," said Councilman James B. Kraft. "Why can't we be creative?" The comptroller's office disclosed last week in an audit that \$39.7 million worth of partial property tax payments had been piling up in a city account for about a decade. Lower-level city finance employees had forgotten to manually move that money from one account to the general fund.

The mistake was found by the Finance Department, and officials reported it to auditors over the summer, said city Finance Director Edward J. Gallagher, who briefed City Council members at a lunch hosted by [Mayor Sheila Dixon](#) on Monday.

He estimated that the city will save \$70 million over 20 years by borrowing less. Young suggested changing the charter so the city can use the money to stave off cuts to pool hours, recreation centers and child care centers. "Let's let the voters decide," he said.

But there is no scheduled election until 2011, so any charter change would be too late to affect the current budget, Dixon said.

It is unclear why 10 years' worth of internal and external audits had not found the error, and some council members questioned the competence of those charged with inspecting the city's books. "Clearly this tells me they have not been looking deeply enough," said City Councilwoman Helen L. Holton, a certified public accountant.

Gallagher distributed a one-page memo of "frequently asked questions" about the mistake, explaining that the money was "pooled and invested" in a variety of low-risk investments.

The pressure to use the surplus will likely grow this week. Dixon is expected Wednesday to revise down her fiscal year 2010 budget to take into account \$26.5 million in cuts from state sources.