



**INDEPENDENT AUDITOR'S
REPORT ON APPLYING
AGREED-UPON
PROCEDURES FOR PORT
COVINGTON LOCAL
HIRING MEMORANDUM OF
UNDERSTANDING**

**September 14, 2016
through December 31, 2020**

**City Auditor, Josh Pasch
November 1, 2022**



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Office of the Comptroller

Josh Pasch, City Auditor

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INDEPENDENT AUDITOR' S REPORT ON APPLYING AGREED-UPON PROCEDURES

To Honorable Bill Henry, Comptroller
and Other Members
of the Board of Estimates
City of Baltimore, Maryland

We have performed the procedures enumerated on page 3 below, which were agreed to by the City of Baltimore Management (City Management) solely to assist in evaluating if Sagamore Development Company, LLC (together with Baltimore Urban Revitalization LLC, the “Developer”) complied with the provisions of Part I of the Original Memorandum of Understanding (MOU)¹ titled the New Port Covington Local Hiring Memorandum of Understanding, as modified by the Supplemental MOU (together, the “**Local Hiring MOU**”) for the period September 14, 2016 through December 31, 2020 with the understanding that certain MOU requirements may not be effective prior to the issuance of the Tax Increment Financing (TIF) bonds, which occurred on December 30, 2020 (the “**Effective Date**”). Since the Developer implemented certain requirements earlier than the Effective Date, we reviewed the procedures 1, 2, 4, 6, 7, 8, 10, 12 and certain sub-procedures in the procedure 13 although the requirements were effective for one day in our scope. The City Management is responsible for ensuring the Developer complies with the MOU. The sufficiency of these procedures is solely the responsibility of the City Management. Consequently, we make no representation regarding the sufficiency of the procedures enumerated on page 3 either for the purpose for which this report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with *Government Auditing Standards*.

We were not engaged to and did not conduct an examination or a review, the objective of which would be the expression of an opinion or conclusion if the Developer complied with the provisions of the MOU. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

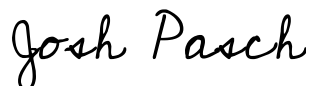
¹ *New Port Covington Amended and Restated Consolidated Memorandum of Understanding* by and between the Mayor and City Council of Baltimore and the Developer effective September 14, 2016.

**Independent Auditor's Report On Applying Agreed-Upon Procedures for Port Covington
Local Hiring Memorandum of Understanding**

This report is intended solely for the information and use of the City Management, City Council, and Board of Estimates. It is not intended to be and should not be used by anyone other than these specified parties. Accordingly, this report is not suitable for any other purpose.

We wish to acknowledge the Developer's and the City Management's cooperation extended to us during our agreed-upon procedures engagement. The Developer's and Management's responses are included in Appendix I through Appendix IV (see page 12 through page 19).

Respectfully,



Josh Pasch, CPA
City Auditor
Baltimore City, Maryland
November 1, 2022

**Results of Applying Agreed-Upon Procedures for Local Hiring Memorandum of Understanding
September 14, 2016 through December 31, 2020**

Agreed-Upon Procedures	Results	Other Observations
<p>1. Verify if the Developer imposed the Local Hiring Mandate (as defined in the Local Hiring MOU) in each of its contracts with contractors and subcontractors and put in place both procedures to monitor compliance and contractual provisions to enforce such requirements. Through such procedures and provisions, from and after the Effective Date, the Developer is expected to achieve the target that: (i) 30 percent of all on-site employees, whether hired directly by Developer or by its contractors and subcontractors, will be Baltimore residents; and (ii) 51 percent of all newly hired employees engaged in the construction of Port Covington will be Baltimore City residents.</p>	<p>No exceptions were found as a result of applying the procedure.</p>	<p>Not Applicable (N/A)</p>
<p>2. Verify that, from and after the Effective Date, the Developer is paying a minimum wage of \$17.48 per hour and \$5.93 per hour for health and pension benefits for employees engaged in all trades and working on the TIF Infrastructure Project, as defined in the MOU, or that Developer has required, in each of its contracts with contractors and subcontractors</p>	<p>No exceptions were found as a result of applying this procedure.</p>	<p>N/A</p>

Agreed-Upon Procedures	Results	Other Observations
<p>working of the TIF Infrastructure Project, that such wages and benefits be provided for employees of the contractors and subcontractors engaged in all trades.</p>		
<p>3. Verify that from and after the Effective Date, the Developer required in each of its contracts with contractors and subcontractors working on the TIF Infrastructure Project that such contractors and subcontractors put in place formal apprenticeship programs that satisfy the requirements of the Local Hiring MOU.</p>	<p>N/A because the requirement is not effective until after TIF bond issuance on December 30, 2020.</p>	<p>As of January 2021, the Developer and MOED had not established a process to collect, record, and report the results to the Local Hiring Advisory Committee (Advisory Committee) to determine whether contractors and subcontractors working on the TIF Infrastructure Project, are in compliance with the following Local Hiring MOU:</p> <p>“TIF Infrastructure Project will be required to utilize apprentices enrolled in formal apprenticeship programs for a minimum of 12% of the work performed. Each contractor will be required to strive to meet a minimum of 20% goal within the first 5 years of the TIF Infrastructure Project. Developer will work to ensure that 25% of the required apprentice-work will be performed by Workers with Barriers to Employment.”</p> <p>Recommendation I: We recommend the Developer and MOED Director</p>

Agreed-Upon Procedures	Results	Other Observations
		collaboratively establish and document a process to hire apprentices and collect, record, and report the results to the Advisory Committee to determine whether contractors and subcontractors are in compliance with the Local Hiring MOU discussed above.
4. Verify that the Developer imposed in each of its contracts with contractors and subcontractors, and has in place both procedures to monitor compliance and contractual provisions to enforce such requirements, that from and after the Effective Date, Developer and such contractors and subcontractors will provide or have been providing a workforce plan to MOED within 30 days after the contract award or 30 days prior to mobilization, or if neither is practical, a reasonable period under the circumstances.	No exceptions were found as a result of applying the procedure.	N/A
5. Verify that the New Port Covington Advisory Committee has been or will, upon the designation of specified members by those organizations and	No exceptions were found as a result of applying the procedure.	Although the Advisory Committee was established in FY 2018, it has not been fully re-established since the FY 2021 change in the Mayor's and

Agreed-Upon Procedures	Results	Other Observations
<p>persons set forth in the Local Hiring MOU, be established.</p>		<p>Comptroller's offices. Specifically, of 16 Advisory Committee members,</p> <ul style="list-style-type: none"> • Three are no longer with their respective organizations; • Two could not be verified; and • One changed jobs from the Council President's Office to the Mayor's Office. <p>According to the Local Hiring MOU, the Advisory Committee will be compromised of representatives appointed or approved by the Mayor except for one representative approved by the Comptroller.</p> <p>Recommendation II: We recommend the Mayor, Comptroller, and Developer re-establish the Advisory Committee.</p>
<p>6. Verify that, from and after the Effective Date, all contracts with project contractors and subcontractors include a clause requiring compliance with the Local Hiring Mandate, including the</p>	<p>No exceptions were found as a result of applying the procedure.</p>	<p>N/A</p>

Agreed-Upon Procedures	Results	Other Observations
"Employ Baltimore" Executive Order dated December 18, 2013.		
7. Verify that from and after the Effective Date, the Developer will provide or has provided \$80,000 to MOED on an annual basis to employ a New Port Covington Local Coordinator.	No exceptions were found as a result of applying the procedure. Although the Developer is not responsible for funding the Port Covington Local Hiring Coordinator position in MOED until after December 30, 2020, the Developer funded \$160,000 for CY 2019 and CY 2020. This position was established in September 2017.	N/A
8. Verify that the Developer imposed, in each of its contracts with contractors and subcontractors and has in place both procedures to monitor compliance and contractual provisions to enforce such requirements, an obligation, from and after the Effective Date, to use commercially reasonable efforts to post all new jobs needed by the contract awardees to fulfill the jobs, through MOED and its One Stop Career Centers Network and Workforce Partner Network for a period of seven days prior to publicly advertising such openings.	No exceptions were found as a result of applying the procedure.	N/A
9. Verify that Developer, from and after the Effective Date, and in consultation with MOED, has been or will be producing promotional marketing materials and holding job fairs to inform	N/A because this requirement is not effective until after TIF bond issuance on December 30, 2020.	N/A

Agreed-Upon Procedures	Results	Other Observations
community residents of the project employment opportunities.		
10. Verify that: (i) Developer has imposed in each of its contracts with contractors and subcontractors, a requirement, and has in place both procedures to monitor compliance and contractual provisions to enforce such requirements that, from and after the Effective Date, the contractors and subcontractors provide MOED and the Developer with Manpower reports on a monthly basis; and (ii) Developer has been providing, or will after the Effective Date, provide the Local Hiring Advisory Committee and MOED with Manpower reports on a quarterly basis.	No exceptions were found as a result of applying the procedure.	N/A
11. Verify that the Developer has established, or will after the Effective Date, establish the Port Covington Workforce Opportunity Center.	N/A because this requirement was not effective until TIF bond issuance, December 30, 2020.	N/A
12. Verify that the Developer has, annually since the summer of 2016, funded 100 Youthworks jobs at the assumed rate of \$1,500 per job (as adjusted per the Local Hiring MOU) and will continue to do so for a total of 10 years.	No exceptions were found as a result of applying the procedure.	N/A

Agreed-Upon Procedures	Results	Other Observations
<p>13. Verify that the Developer has put in place policies and procedures to ensure compliance with the record-keeping requirements of the Local Hiring MOU, so as to monitor and track the following:</p>		
<p>a) The extent to which Baltimore City residents have access to and are prepared for all employment opportunities made through the construction of the project infrastructure and all other projects developed by the Developer within the New Port Covington project.</p>	<p>No exceptions were found as a result of applying the procedure.</p>	<p>The MOED <i>Employer's Workforce Development Process Guide</i> requires Baltimore City residents to be provided with access to job postings. The Guide has addressed hiring requirements for the infrastructure projects; however, the requirements specified on page 10 must be implemented, which were not effective until after December 30, 2020. These requirements will be included in future reviews.</p> <ol style="list-style-type: none"> 1. Port Covington Workforce Development Training Center; 2. Workforce Opportunities Center; and 3. Training and development, processes, and formal written policies and procedures.

Agreed-Upon Procedures	Results	Other Observations
b) Compliance with the Local Hiring Mandate as to all on-site workers.	No exceptions were found as a result of applying the procedure.	N/A
c) Compliance with the Local Hiring Mandate as to new hires.	No exceptions were found as a result of applying the procedure.	N/A
d) The provision of reasonable and affordable transportation to the New Port Covington project as needed during the first five years of construction after the Effective Date.	N/A because this requirement was not effective until TIF bond issuance, December 30, 2020.	N/A
e) The compliance, after the Effective Date, with funding of \$25 million over 15 years for workforce development initiatives, which may include the development, construction and operation of a Workforce Development Training Center.	N/A because this requirement was not effective until TIF bond issuance, December 30, 2020.	N/A
f) The compliance of contractors and subcontractors with the required apprenticeship programs consistent with the Local Hiring MOU, and the degree to which the goals set forth in the Local Hiring MOU (12 percent, 20 percent, and 25 percent) are achieved.	N/A because the requirement is not effective until after TIF bond issuance on December 30, 2020	See observation and recommendation written for Procedure 3 above.

APPENDIX I

Auditor's Comments

Management's response from the Office of Mayor Brandon Scott (see Appendix III on page 13) to Procedure 5 did not include a plan to address the finding, which is appointing designees from the Mayor's Office, including timeframe to implement.

The response received indicated that the solution (i.e. assigning representatives for the Mayor's office to the Advisory Committee) was completed by December 13, 2021 – which is the date that the Advisory Committee started up again.

Management’s Response – Mayor’s Office of Employment Development

Date: September 26, 2022

To: Josh Pasch, City Auditor

Subject: Management’s Response to the Agreed Upon Procedures

Our responses to the agreed-upon procedures report findings and recommendations are as follows:

Procedure 3

Management Response/Corrective Action Plan

Agree **Disagree**

The agency agrees that the developer should provide information regarding the number of apprentices working on the project in accordance with the MOU.

Implementation Date: N/A

Responsible Personnel: N/A

Procedure 13 f

Management Response/Corrective Action Plan

Agree **Disagree**

Please see response to procedure 3 above.

Implementation Date: N/A

Responsible Personnel: N/A

APPENDIX III

Management's Response – Office of Mayor Brandon Scott

Date: October 24, 2022

To: Josh Pasch, City Auditor

Subject: Management's Response to the Agreed Upon Procedures

Our responses to the agreed-upon procedures report findings and recommendations are as follows:

Procedure 5

Management Response/Corrective Action Plan

Agree

Disagree

Mayor's Office agrees with Audit Team finding of no exceptions as it relates to this procedure.

As noted in the response by the Developer to this procedure, the Local Hiring Advisory Committee was paused and has restarted as of December 13, 2021. The Mayor's Office will adhere to its responsibility to approve and appoint members to this committee when vacancies are identified and notice has been provided to our office.

Implementation Date:

Restarted December 13, 2021

Responsible Personnel:

- Nina Themelis, MOGR Boards and Commissions
- Linzy Jackson, Director External Partnerships

APPENDIX IV

Management's Response – Comptroller's Office

Date: September 23, 2022

To: Josh Pasch, City Auditor

Subject: Management's Response to the Agreed Upon Procedures

Our responses to the agreed-upon procedures report findings and recommendations are as follows:

Procedure 5

Management Response/Corrective Action Plan

Agree

Disagree

The Comptroller's Office agrees with Audit Team finding of no exceptions as it relates to this procedure.

As outlined in the Local Hiring Memorandum of Understanding, the sixteen (16) member Advisory Committee has the following composition:

- 1) Three (3) representatives appointed by the Mayor.
- 2) Eleven (11) representatives approved by the Mayor:
 - a) two (2) representatives from workforce providers
 - b) two (2) community representatives
 - c) two (2) faith-based leaders
 - d) one (1) member representing the Baltimore City Community College
 - e) one (1) member representing the Baltimore City Public Schools Career Technology Education center
 - f) one (1) member appointed by the State Senator from the 46th District
 - g) two (2) members appointed by Developer.
- 3) Two (2) members whose appointments do not require Mayoral approval:
 - a) one (1) representative appointed by the President of the Baltimore City Council
 - b) one (1) representative appointed by the Comptroller of the City of Baltimore

The Comptroller's Office notified the Developer on June 7, 2021 that Erika McClammy, Deputy Comptroller, would serve as its one representative to the Advisory Committee.

Implementation Date: Per the Developer's Management Response, meetings of the Local Hiring Advisory Committee restarted on December 13, 2021.

Responsible Personnel: Erika McClammy, Deputy Comptroller

Management’s Response – The Developer

Date: May 16, 2022

To: Josh Pasch, City Auditor

Subject: Management’s Response to the Agreed Upon Procedures

Our responses to the agreed-upon procedures report findings and recommendations are as follows:

Procedure 3

Management Response/Corrective Action Plan

Agree

Disagree

Developer agrees with Audit Team finding of no exceptions as it relates to this procedure.

As it relates to the recommendation, Developer will continue to contractually obligate prime contractors and subs to report monthly on TIF infrastructure apprenticeship programs, and number of apprentices on all work, to include calculations of aggregate work performed while excluding such tasks or elements of work where no apprenticeship program exists, as the scope of the MOU requires. As an additional unrequired step, Developer reviews bi-weekly the apprenticeship reports for comparison to the goals of MOU. Additionally, Developer is working with MOED to leverage American Rescue Plan dollars the City has committed to subsidizing the development of apprenticeship programs at companies where none currently exist. We will partner to increase the funding and target companies and elements of work in the Port Covington project who don’t already have apprenticeship programs, thereby increasing our numbers further and expanding opportunities to more city residents.

Implementation Date

Ongoing, with additional process beginning January 5, 2022

Responsible Personnel

Marc Broady, Vice President, Community Impact

**Independent Auditor's Report On Applying Agreed-Upon Procedures for Port Covington
Local Hiring Memorandum of Understanding**

Procedure 5

Management Response/Corrective Action Plan

Agree

Disagree

Developer agrees with Audit Team finding of no exceptions as it relates to this procedure.

As it relates to the recommendation, the Local Hiring Advisory Committee was paused briefly during the stoppage of work due to Covid, and there were delays in receipt of appointees from the Comptroller, City Council President, and Mayors Offices. The Advisory Committee resumed meeting on December 13,2021 and Developer will continue to hold these meetings no less than quarterly for 2022 and beyond, as required by MOU scope.

Implementation Date

Implementation Date: Restarted December 13, 2021

Responsible Personnel

Marc Broady, Vice President, Community Impact

Procedure 13a

Management Response/Corrective Action Plan

Agree

Disagree

Developer agrees with Audit Team finding of no exceptions as it relates to this procedure.

As it relates to the recommendation, while there is no response required here per Audit team, it is important to note Developer led processes that are in place to maintain adherence to the MOU scope. It is established practice for Port Covington to have all job postings sent to MOED, per MOU and Local Hiring Law, and posted on MOED one stop shop for (2) weeks ahead of contract award, before any other platform receives posting. The Local Hiring Coordinator receives the manpower reports evidencing these advance notifications, and all new hires must be reported on to reflect why, if not a City Resident, MOED recommended candidates were not hired. There is a robust Local Hiring Process Guide with dates, triggering events, protocols and contact information in place since 2019. Developer will continue contractually obligating all primes and subs to complete these processes under the guidance of the Port Covington Local Hiring Coordinator of MOED, as is required by the MOU scope. We also take the unrequired step of providing postings to our partner network of job training and placement organizations to increase our pipeline of local hires.

Due to covid, the Workforce Opportunity Center could not open physically as planned. However, Developer uses the *Unite Us* platform suggested by MOED to capture interested candidates citywide through a phone number and email set up in July of 2021 for the public. We continue to capture data on placement of prospective workers through this system, and it provides the Port Covington Local Hiring Coordinator of MOED access to potential candidates as jobs become available. It is also of note that the goals of 51% of new hires being City residents and 30% of all hires across the Port Covington landscape being city residents have been consistently met or exceeded, despite global hiring challenges. While not required, we also became an official MOED Access Point for their citywide workforce efforts in mid-2021.

Implementation Date

Ongoing since 2019

Responsible Personnel

Marc Broady, Vice President, Community Impact

Procedure 13f

Management Response/Corrective Action Plan

Agree

Disagree

Please refer to response 3.

Implementation Date

Ongoing, with additional process beginning January 5, 2022

Responsible Personnel

Marc Broady, Vice President, Community Impact