


FROM	Name & Title	Frank J. Murphy, Acting Director	CITY OF BALTIMORE  <b>MEMO</b>	
	Agency Name & Address	Department of Transportation 417 E. Fayette Street, 5 <sup>th</sup> fl.		
	Subject	Report on City Council Resolution NO. 17-0008R Investigative Hearing – Late Payments to Subcontractors on City Contracts		

Date: March 22, 2017

To: Honorable President and Members  
of the City Council of Baltimore  
Room 409, City Hall  
100 N. Holliday Street  
Baltimore, Maryland 21202

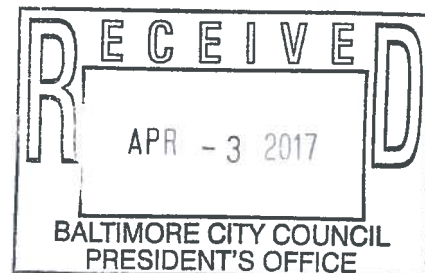
The Department of Transportation has reviewed the subject City Council Resolution *"For the purpose of calling on representatives the Finance Department, the Office of Civil Rights and Wage Enforcement, the Minority and Women's Business Opportunity Office, and the Departments of Public Works, General Services, and Transportation to appear before the City Council to discuss problems with late payments to subcontractors on City contracts, and what steps the city can take to ensure that these problems do not endanger the ability and willingness of subcontractors to work on City projects."*

The Department of Transportation regards payments to all vendors an important element to the success of all businesses, especially subcontractors. As such the Department monitors payments to contractors and consultants on a monthly basis to ensure they are processed within 30 days or less. Additionally, the Department has moved from paper processing of construction contracts to an electronic process which provides for analyzing the timing of payments and accountability of personnel responsible for payment approval. During the course of a project the Department's Program Compliance Officer (PCO) is responsible for ensuring the contractor is compliant with established contract minority goals and in doing so often requires subcontractors to complete and return the form titled "Payment Received". The completed form makes the PCO aware of any subcontractor payment issues so that he can work to mitigate.

The Department uses several mechanisms to ensure subcontractors are being paid in a timely manner. However, the City and vendors doing business with the City would benefit greatly if payment information to primes was posted on a City's website (perhaps the Department of Finance). This would enable subcontractors to determine if the prime has really received payment from the City. Additionally, City agencies could use the information as part of its evaluation of vendors doing business with the City.

Below is a list of mechanisms the Department utilizes in relation to subcontractor payments:

*Comments*



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1. Construction specifications include a "Prompt Payment Clause" instructing contractors to pay their subcontractors within 10 days of being paid by the City; and
2. The Department's Program Compliance Officer (PCO) is the host of a field meeting with subcontractors to let them know he is there to advocate on their behalf in the event they have payment issues. The PCO also provides a Payment Received Form to subcontractors for them to report their payment issues, if any; and
3. During the life of a contract the Program Compliance Officer obtains subcontractor payment information from both the prime and the subcontractors. This information is also used to ensure the prime contractor is in compliance with the established minority goal(s).
4. The Program Compliance Officer conducts payment mediation with prime and subcontractors to resolve any outstanding payment issues

While there are several practices that the City could engage to ensure subcontractors are paid in a timely manner, the City must use technology, that requires contractors to post payments they have made to their subcontractors and in return subcontractors must be able to affirm or deny the payment. Collection of payment data is the best way to evaluate how well the City is doing with payments Citywide.



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Frank J. Murphy, Acting Director

FJM/LDG

Cc: Laetitia Griffin  
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