To: Honorable Mayor and Council Members

Cc: Margie C. Rose, City Manager
Miles Risley, City Attorney
Gilbert Sanchez, Risk Manager
Rebecca Huerta, City Secretary
Kim Womack, Director of Communications, Media, E-Government

From: Arlena Sones, City Auditor *Arlena Sones*

Date: September 15, 2016

Subject: AU16-F03 City Attorney's Office, Risk Management Audit Follow-up Report

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As part of the annual audit plan approved by City Council, we conducted a follow-up of the City Attorney's Office, Risk Management audit dated March 24, 2015.

The objectives of the original audit were related to controls over the liability fund self-insurance claims and if liability claims transactions were paid appropriately. The original audit contained ten issues, all of which were accepted by the City Attorney's Office.

On August 19, 2016 management indicated to us that all recommendations had been implemented or were currently in progress. We reviewed the areas of highest risk and found that all recommendations reviewed had been fully implemented, and they are working as intended.

Regarding Issue No. 1, management elected to maintain its own accounts payable function instead of utilizing the services of the Financial Services Department. Risk Management continues to use the information system in place at the time of the audit; however; the internal controls of the payables function have been strengthened. While management reports the recommendation "In Progress," we consider the recommendation to be implemented.

We would like to commend the City Attorney's Office and Risk Management for their efforts.

AU16-F03 CITY ATTORNEY'S OFFICE
RISK MANAGEMENT AUDIT FOLLOW-UP REPORT

Issue No.	Recommendation	Management Assertion	Auditor Confirmation
	A. City Attorney's Office Accounts Payable Function		
1	Has management consulted with the Purchasing and Accounts Payable divisions in order to establish internal controls that mirror those set in place by the Financial Services Department?	*In Progress*	*Implemented*
	A.1 Liability Claims through City Secretary's Office		
2	Has management developed and implemented procedures to identify the claims that should be filed through the City Secretary's Office?	*Implemented*	*Implemented*
	Has management determined if the City Code Section 17-16 should be revised to more closely follow Texas Civil Practice and Remedies Act?	*Implemented*	*Did not review*
	A.2 Invoice Approval		
3	Does management require claims adjusters/attorneys to audit, sign, and attach each invoice to the appropriate claim in the claims management system prior to payment request?	*Implemented*	*Implemented*
	A.3 Indemnity Payments		
4	Does management require the settlement release forms be signed by the claimant prior to payment request?	*Implemented*	*Implemented*
	Has management located and attached the missing signed settlement release forms to the appropriate claim in the claims management system?	*Implemented*	*Did not review*
	A.4 Payment Authorization		
5	Does management require written approval for all payment requests?	*Implemented*	*Implemented*
	Did management revise procedures for expense payments to follow the same approval thresholds as indemnity payments?	*Implemented*	*Implemented*
	A.5 Late Payments		
6	Did management develop and implement procedures for timely submission and timely payment of invoices?	*Implemented*	*Implemented*
	A.6 Payment by Statement		
7	Did management enforce its procedure to pay by individual invoice and not statement balance?	*Implemented*	*Implemented*

B. Unrecorded Payments			
	Did management ensure the restoration of the missing records into the claims management system?	*Implemented*	*Did not review*
8	Did management develop and implement procedures to periodically reconcile the claims management system financial activity to the City's financial system of record?	*Implemented*	*Implemented*
C. System General Controls			
	Does management periodically review user access to ensure only those with a valid need have access?	*Implemented*	*Implemented*
9	Did management consider obtaining a system that requires strong passwords, initiates periodic password changes, and provides a test environment?	*In Progress*	*Did not review*
D. System Application Controls			
10	Did management seek a system which generates unduplicated and sequential check numbers and claim numbers, creates an audit trail for any deleted data, requires invoice numbers prior to processing payment, and detects duplicate invoice numbers so as to avoid duplicate payments?	*In Progress*	*Did not review*

Staff Acknowledgement
Sarah Arroyo, Assistant Auditor