

Memorandum



CITY OF DALLAS

DATE: March 31, 2006

TO: Honorable Mayor and Members of the City Council

SUBJECT: Follow-up report of the April 23, 2004, *Audit of the City Attorney's Office Process for Handling Delinquent Accounts*

We conducted this follow-up under the authority of Chapter IX of the City Charter, and according to applicable government auditing standards. We included tests of records and reviews of program guidelines and procedures that we considered necessary under the circumstances. Our objective was to determine whether management had implemented the original audit's recommendations or had taken other acceptable actions to remedy the control weaknesses identified in the original audit report.

The original audit contained four findings with twelve recommendations. The City Attorney's Office (CAO) implemented one and partially implemented two; the Office of Financial Services (OFS) implemented one, partially implemented two and did not implement six of the recommendations.

1. Costs to process delinquent accounts are not determined/considered in handling delinquencies.

We recommended that the CAO periodically (such as annually) analyze and evaluate, for efficiency and effectiveness, costs incurred and tracked in handling referred delinquent accounts. The process should include factors such as the amount, age of the account, probability of collection, repeat offenders, etc.

We found that the CAO relies on each attorney handling collections to perform this analysis and evaluation case by case. While this is the same situation that existed at the time of our audit, the CAO has since developed a software program that is tracking expenses for all lawsuits (including collections) filed by or against the City since October 1, 2005 (Partially implemented).

2. The CAO's delinquent account tracking system may not be reliable.

We recommended that the:

- OFS update AD 4-10 to include a requirement that departments provide to the CAO, within a timely basis, documentation of subsequent payments received on delinquent accounts referred to the CAO.

We found that the OFS has not updated AD 4-10. There is still no such department requirement. OFS plans to update AD 4-10 (Not implemented).

- CAO assess the adequacy of the current tracking system and expand the system to include relevant information on all referred delinquent accounts.

The CAO, while not implementing a comprehensive tracking system, has expanded the number of databases containing collection cases to four (from one when we performed the audit); which cover the different types of collections (Implemented).

3. Reports on delinquent accounts were not available.

We recommended that the CAO ensure that an overall report on the status of referred delinquent accounts is prepared periodically (at least quarterly) and provided to the F&A.

The CAO asserts that it should continue to report delinquent accounts status to the departments, and that the departments should then report to the Finance, Audit, and Accountability Committee of the City Council (the Committee), as they are required to do under AD 4-10 (Partially implemented).

Auditor's comment:

We still believe that a comprehensive report is preferable to the individual reports from each department; but since the CAO is not aware of collection efforts for debts under \$1,000, and since the departments record collections and are to report write-offs annually, then it appears that the OFS is in a better position to provide that comprehensive report to the Committee, no less often than annually (AD 4-10 instructs that accounts written off be reported to the Committee).

4. Departments use various procedures that do not comply with AD 4-10, and training on AD 4-10 is needed.

We recommended that the OFS:

A. Review and revise AD 4-10 to address the specific concerns discussed in this section of the audit report (departments not following the AD's collection steps and timetables), as well as:

- Request input from all applicable departments including the CAO.
- Develop guidelines to require and ensure that departments comply with the revised AD.
- Consider exempting individual departments from the Citywide AD and allow individual departments, due to the nature of their operations, to establish procedures specific to their department. The Chief Financial Officer should approve the procedures developed by these departments.

We found that the OFS has not reviewed or revised AD 4-10, nor did they perform the three additional actions; but, as noted above, they plan to review and revise the AD in the near future (Five not implemented).

B. Consult with the CAO to determine whether the Justice of the Peace requirement is still applicable and needed.

OFS did not need to consult with the CAO on this issue because the CAO advised City staff not to pursue delinquent accounts in the Justice of the Peace Courts without attorney involvement (Implemented).

C. Provide City-wide training to implement AD 4-10 requirements.

- Consult with the CAO and request participation in the training to specifically address CAO's concerns and how departments can obtain and provide needed information to ensure that referrals to the CAO are handled effectively and efficiently.
- Ensure that appropriate departmental personnel are required to attend mandatory training on the AD.

We found that the OFS conducted training early in 2004, but could not show who attended or what was covered (Two partially implemented).

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