



*City of*  
**ALBUQUERQUE**  
Office of Internal Audit

**STRATEGIC REVIEW**  
**19-301**

**FINANCIAL MANAGEMENT**  
**OF EXPENSES – CITY**  
**LEGAL DEPARTMENT**

**DECEMBER 12, 2018**

## **INTRODUCTION**

In September 2018, the City Attorney contacted the Office of Internal Audit (OIA) and requested assistance regarding certain financial operations within the Legal Department (City Legal). The request was made because the City Attorney had previously identified a significant internal control breakdown in the department's contract management and oversight processes. Discussions were held with OIA and it was determined that the City Attorney sought to confirm whether fully executed contracts existed with the various outside law firms during fiscal year (FY) 2018 and requested assistance in assessing Purchasing Card (P-Card) expenses and budget activities.

## **SCOPE**

The work performed for this strategic review was limited to the identified objectives and was not an audit or an investigation in response to allegations of fraud, waste, or abuse. The City's Office of Inspector General is responsible for the investigation of possible fraud, waste, or abuse and would be notified if such events were identified.

## **SUMMARY**

### Outside Legal Services

City Legal had not established contracts for six outside legal counsel providers in FY2018, which include:

1. Atler Law Firm (1/1/18-7/10/18),
2. Scott Eaton,
3. Ylaw,
4. Peter Winograd (Expert witness – not an attorney),
5. Robles Rael & Anaya, and
6. Brown & Gurule, LLC.

Although no contracts had been established in FY2018 for the above-referenced outside legal counsel, City Legal accepted services and authorized payments totaling \$287,939.

City Legal did have fully executed contracts with other outside legal counsel in FY2018. However, because of the internal control breakdown in contract management and oversight, payments to several vendors exceeded the total values established by the respective contracts. The table below identifies the vendors and amounts.

### **Outside Legal Contract Payments Exceeding Contract Values FY2018**

<b>Outside Legal Counsel</b>	<b>Contract Value</b>	<b>Total Payments</b>	<b>Contract Coverage</b>
German & Burnette	\$75,000	\$243,894	\$168,894
Kennedy, Moulton & Wells	\$75,000	\$159,437	\$84,437
Walz & Associates	\$75,000	\$188,356	\$113,356
Wiggins, Williams & Wiggins	\$75,000	\$223,499	\$148,499
<b>Total Contract Coverage</b>			<b>\$515,186</b>

*Source: Contract documents and Risk Management claims system data*

Professional/technical services must have fully executed contracts in place prior to any services being performed. Payments to uncontracted vendors qualifies as a purchasing violation. Contract thresholds requiring City Council approval have been established by City Ordinance §5-5-19 ROA 1994 Approval of Contracts. City Council approval is required for “any contract for professional/technical services in an amount exceeding \$75,000, including, but not limited to, legal services contracts...” and “any professional/technical services contract with a single business where the total amount in a single fiscal year for professional/technical contracts with that business exceeds \$150,000.”

### P-Card Expenses

City Legal does not have internal policies and procedures pertaining to the use and management of its P-Cards. The review of FY2018 P-Card charges identified that the majority of purchases were recognized as proper business-related purchases, but purchases totaling \$5,788 had merchant codes that were not easily recognized as business-related (ex: Amazon, drug stores/pharmacies, miscellaneous personal services).

### Budget to Actual

Other than personnel costs, the majority of City Legal’s operating expenses consist of Contractual and Professional Services. No significant changes or fluctuations were noted in City Legal’s operating expenses over the three-year period. However, City Legal did exceed its Repairs and Maintenance budget amounts in FYs 2016, 2017, and 2018 and exceeded its Professional Services budget amounts in FYs 2016 and 2017.

## **OBJECTIVES**

The initial objectives of the strategic review were to:

- Review the Legal Department’s outside legal contracts to confirm contract existence and calculate/track spending;
- Perform an analysis of the Legal Department’s operating expenses, including P-Card expenses, over a 3-year period, FYs 2016, 2017, and 2018; and
- Provide a spreadsheet documenting the Legal Department’s budget to actual totals.

Following meetings and discussions with the City Attorney, the objectives were narrowed to address contract existence and spending in FY2018, a review of P-Card purchases made in FY2018, and a review of budget to actual operating expenses.

## **BACKGROUND**

Over the past two years, City Legal has experienced administrative changes and staffing turnover. In December 2017, the City of Albuquerque elected a new mayor. Along with the change in mayor comes various changes to the City’s Administration, including the City Attorney. The City Attorney position was vacated on December 1, 2017 and filled on March 3, 2018.

Prior to the change in Administration, City Legal had experienced multiple staffing changes in its Fiscal Officer position. In FY2016, the Fiscal Officer position was vacated on January 1, 2016 and filled on May 14, 2016, and in FY2017, the Fiscal Officer position was vacated on March 26, 2017 and filled April 29, 2017. The Fiscal Officer position has been vacant since approximately June 2018.

***Outside Legal Contracts***

City Ordinance §5-5-38 ROA 1994 requires City Legal and the DFAS-Risk Management Division (Risk Management), or their successors, to “each use their best efforts to issue a competitive solicitation every four years to select a list of attorneys available and qualified to provide legal services in particular areas of law utilized by the city.” Following the competitive solicitation process, City Legal executes contracts with various attorneys and law firms to provide outside legal services for defending risk claims. The contracts are between City Legal and the outside attorneys and law firms (outside legal counsel).

Each risk claim is assigned to an attorney in City Legal who coordinates with the outside legal counsel and receives the invoices for the services performed. Invoices are then reviewed by the City Legal’s Fiscal Officer and forwarded to the assigned City Legal attorney for payment approval. Once approved for payment, the invoice is sent to Risk Management for review and entry in the automated claims system. Nightly, the payments are batched in the claims system and electronically sent to the City’s financial system for payment.

Since payments are batched and not issued through the City’s normal contracting and purchase order process, contract limits are not established in the City’s financial system. Consequently, no system controls are in place to monitor spending limits on City Legal’s outside legal contracts.

The process within City Legal to receive and approve invoices for payment is a manual process and is reliant upon employees to perform their duties as required and expected.

**RESULTS**

The results presented are based on information obtained through interviews with City personnel and related parties, a review of contracts and supporting documentation pertaining to City Legal, and data analysis from the Risk Management claims system and the City’s financial reporting system.

**1. Legal Contracts for Outside Counsel**

Fully-executed contracts had not been established for six outside legal counsel providers for FY2018, including:

- Atler Law Firm,
- Scott Eaton,
- Ylaw,
- Peter Winograd (Expert witness – not an attorney),
- Robles Rael & Anaya, and
- Brown & Gurule, LLC.

It is the responsibility of City Legal’s Fiscal Officer to establish, process, and track payments for outside legal contracts. However, the most recent Fiscal Officer did not adequately fulfill the responsibilities of the position. Because of this fundamental breakdown in City Legal’s contract management, coupled with a lack of internal oversight, payments were made to various outside law firms in FY2018 that either did not have a fully-executed contract in place, or were not timely and adequately tracked. The

lack of tracking and oversight permitted bills from outside legal counsel to accumulate and remain unpaid, which led to several contractors exceeding the value of the contracts.

City Legal provided OIA with a list of outside legal counsel providers that had assigned cases and were actively providing legal defense services in FY2018. Payments to outside legal counsel without contracts in FY2018 totaled \$287,939 while payments made over contract amounts totaled \$515,186. The table below illustrates the contractors and amounts identified.

### Summary of FY2018 Payments to Outside Legal Counsel without Contracts or that Exceed Contract Values

Outside Legal Counsel used in FY2018	FY 2018 Contract Value	Total FY2018 Payments Charged to City Legal	Overage
Atler Law Firm	No contract from 1/1/2018-7/10/2018	\$8,729	\$8,729
Scott Eaton	No FY 2018 contract	\$8,903	\$8,903
Ylaw	No FY 2018 contract	\$43,145	\$43,145
Peter Winograd*	No FY 2018 contract	\$43,828	\$43,828
Robles Rael & Anaya	No FY 2018 contract	\$63,539	\$63,539
Brown and Gurule LLC	No FY 2018 contract	\$119,795	\$119,795
<b>Total Payments to Outside Legal Counsel without a contract:</b>			<b>\$287,939</b>
Walz and Associates, PC	\$75,000	\$188,356	\$113,356
Kennedy Moulton and Wells	\$75,000	\$159,437	\$84,437
German Burnett & Associates, LLC	\$75,000	\$243,894	\$168,894
Wiggins, Williams, & Wiggins	\$75,000	\$223,499	\$148,499
<b>Total FY 2018 Contract Overages:</b>			<b>\$515,186</b>

Source: City Legal documents and Risk Management claims system data

\* Expert witness – not an attorney

City Ordinance §5-5-19 ROA 1994 states:

(A) The following contracts must be approved by the City Council:

(3) Contracts for professional/technical services, as follows:

- (a) Any contract for professional/technical services in an amount exceeding \$75,000, including, but not limited to, legal services contracts and contracts entered into by the City Council to facilitate its legislative function; and
- (b) An amendment to a professional/technical services contract which causes the amount of that contract to exceed \$75,000.

During the analysis of payments to outside legal counsel, OIA noted payments to the same outside legal counsel for services other than legal defense (i.e. Workman's Comp representation). Total payments to one outside legal counsel vendor, when combined with City Legal's payments, exceeded \$150,000, while total payments to four outside legal counsel providers exceeded \$150,000 as shown below.

**Combined Vendor Payments  
Exceeding \$150,000 in FY2018**

<b>Vendor</b>	<b>FY2018 Payments (City Legal)</b>	<b>FY2018 Payments (Risk Mgt/Other)</b>	<b>Total FY2018 Payments to Vendor</b>
Walz and Associates, PC	\$188,356	N/A	\$188,356
Kennedy Moulton and Wells	\$159,437	N/A	\$159,437
German Burnett & Associates, LLC	\$243,894	N/A	\$243,894
Wiggins, Williams, & Wiggins	\$223,499	N/A	\$223,499
Peter Winograd*	\$43,828	\$108,540	\$152,368

Source: Risk Management claims system data

\* Expert witness – not an attorney

According to City Ordinance §5-5-19 ROA 1994 A.3(c), City Council approval is also required for “any professional/technical services contract with a single business where the total amount in a single fiscal year for professional/technical contracts with that business exceeds \$150,000.”

Detailed listings of payments made to outside legal counsel and the aggregate totals for FYs 2017 through 2019 are included as **Appendix A**. The information in presented in **Appendix A** includes outside legal payments processed through Risk Management for City Legal and corresponding payments made to the same provider for Risk Management and other City departments. It does not include all outside legal payments made by the City as a whole.

During the review, OIA located a copy of City Legal’s procedures for monitoring outside counsel contracts and balances, which was prepared July 19, 2016 and is included as **Appendix B**. These procedures do not fully incorporate best practices for contract management, including establishing various forms, templates, and checklists for administering contracted services. Managerial oversight is a key component of contract administration. OIA identified the following examples of documents that illustrate best practices and internal controls similar to the Legal Department’s needs:

- State of New Jersey Office of the Controller “Best Practices Checklist for Engaging and Managing Legal Counsel”  
[https://www.nj.gov/comptroller/news/docs/checklist\\_local\\_government\\_legal\\_fees.pdf](https://www.nj.gov/comptroller/news/docs/checklist_local_government_legal_fees.pdf)
- State of North Carolina “Contract Administration and Monitoring Guide”  
<https://files.nc.gov/ncdoa/pandc/Documents/Contract-Administration-and-Monitoring-Guide/Contract-Administration-Guide.pdf>
- United States General Accounting Office, Internal Control Standards, “Internal Control Management and Evaluation Tool”  
<https://www.gao.gov/assets/80/76615.pdf>

**RECOMMENDATIONS:**

City Legal should:

- Ensure contracts are established for all outside legal counsel providers prior to accepting services;
- Prepare and submit an Executive Communication (EC) to City Council requesting approval to address contract overages and payments to vendors that exceeded the \$75,000 or \$150,000 thresholds established by §5-5-19 ROA 1994;
- Contact the DFAS-Purchasing Division to determine if additional purchasing ratification forms are needed;
- Update current procedures to improve internal controls and to adopt best practices for contract management; and
- Work with the DFAS-Purchasing Division to determine whether contract authorization amounts can be added to the City's financial system to establish contract ceilings that would help mitigate the risk of contract overspending.

## 2. Analysis of P-Card Expenses

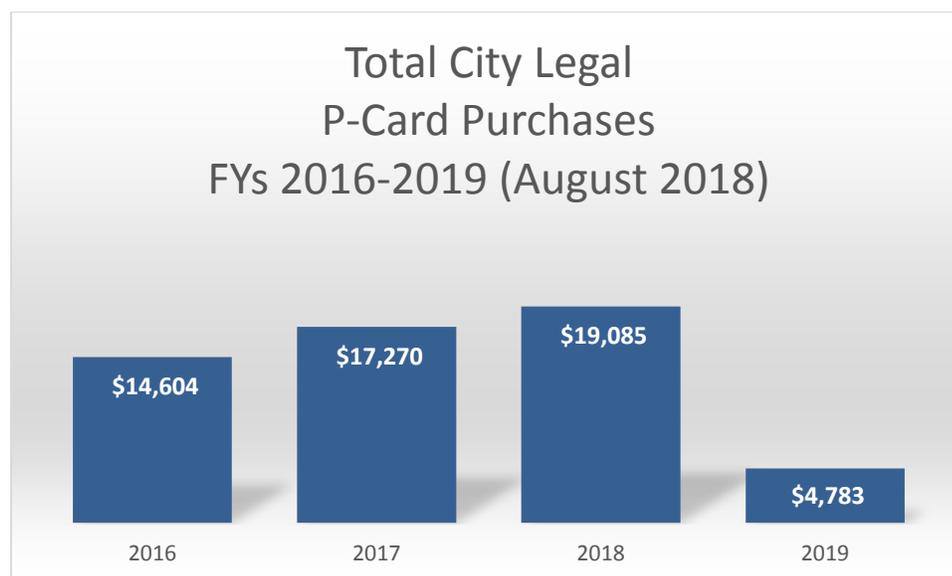
### *P-Card Processes*

City Legal has three active P-Cards, but does not have internal policies and procedures pertaining to the use and management of its P-Cards. Processes described by each of the cardholders were based on verbal training from various parties and were not always consistent.

An analysis of City Legal's P-Card purchases in FY2018 identified:

- No documented approval; and
- No formal review or reconciliation of charges.

P-Card purchases made by City Legal in FYs 2016, 2017, 2018, and 2019 (partial year through August 2018) totaled \$14,604, \$17,270, \$19,085, and \$4,783, respectively and are illustrated in the graph below.



Source: Legal P-card transactions

Currently, the City Attorney has informed all City Legal staff that P-Card purchases must be approved by him in writing, either by email or formal memo. Previously, only the Fiscal Officer's approval was required.

An analysis of FY2018 P-Card purchases was performed and, the majority of purchases were easily recognized as proper business purchases, the following vendor and merchant codes may or may not be business related.

**FY2018 P-Card Purchases  
Not Easily Recognized  
as Proper Business Purchases**

Vendor/Merchant Code Description	Total FY 2018 Purchases
Amazon	\$2,827
Food (Fast food restaurants, bakeries, eating places, etc.)	\$963
Furniture (Home Furnishing Stores, Misc. House Furnishing, Misc. and Specialty Retail, Wholesale Clubs, etc.)	\$1,608
Miscellaneous Personal Services	\$264
Drug Stores/Pharmacies	\$126
<b>Total of Categories:</b>	<b>\$5,788</b>

*Source: City Legal P-Card transactions*

The recently updated (September 2018) Purchasing Card Policy and Procedures Manual, Section 2 Frequently Asked Questions lists "Amazon" as a limitation of the P-Card that cardholders should not purchase with the card. The prior manual did not expressly list "Amazon" as a limitation and the City's Chief Procurement Officer stated that "although we discourage the use of Amazon, there is nothing in the [merchant] code or ordinances that prevents its use."

The Government Finance Officers Association (GFOA) has best practices for P-Card Programs and recognizes that "Governments need to maintain appropriate controls, in accordance with their purchasing policy, to ensure the ongoing success of a purchasing card program." GFOA recommends there be written policies and procedures for internal staff, which should include:

- Instructions on employee responsibilities and written acknowledgments signed by the employees;
- Recordkeeping requirements, including review and approval processes;
- Periodic audits for card activity and retention of sales receipts and documentation of purchases;
- Timely reconciliation by cardholders and supervisors;
- Segregation of duties for payment approvals, accounting, and reconciliations; and
- Regular review of spending per vendor and merchant category codes.

Further information pertaining to GFOA best practices can be found at <http://www.gfoa.org/purchasing-card-programs>.

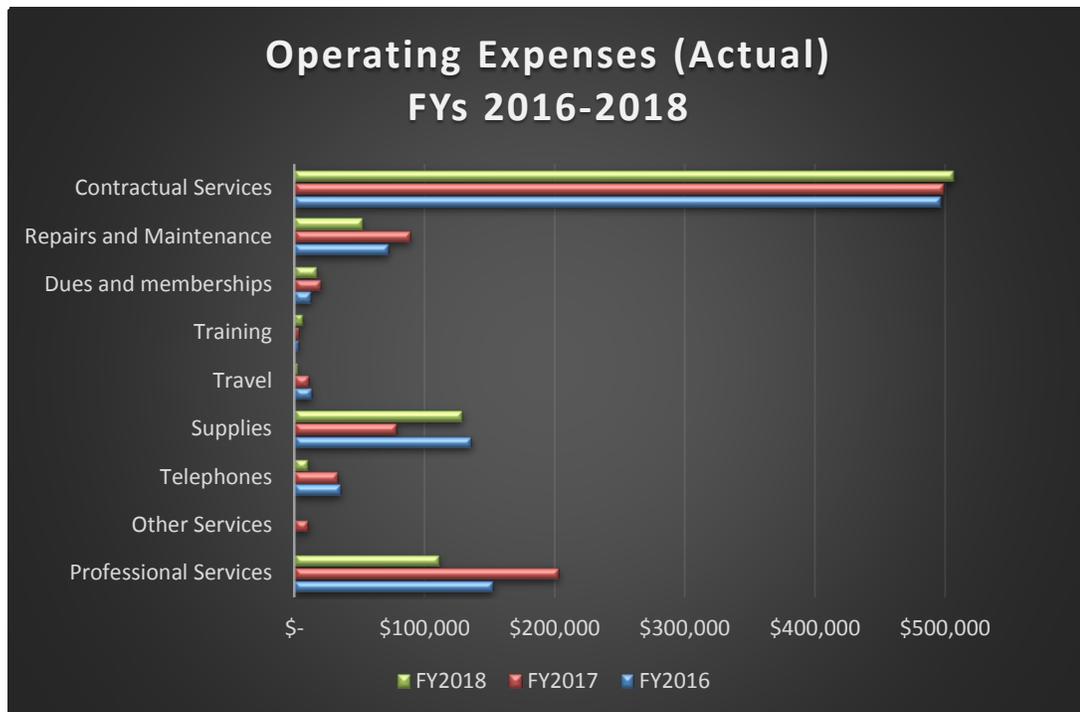
**RECOMMENDATIONS**

City Legal should:

- Establish and implement policies and procedures specific to City Legal’s P-Card purchasing activities. Internal approval processes should include the basic requirements established in the City Purchasing Card Policies and Procedures Manual;
- Review the undetermined P-Card expenses identified for appropriateness; and
- Review a sample of purchases made prior to the change in City Administration and ensure that the City Legal is still in possession of the tangible items.

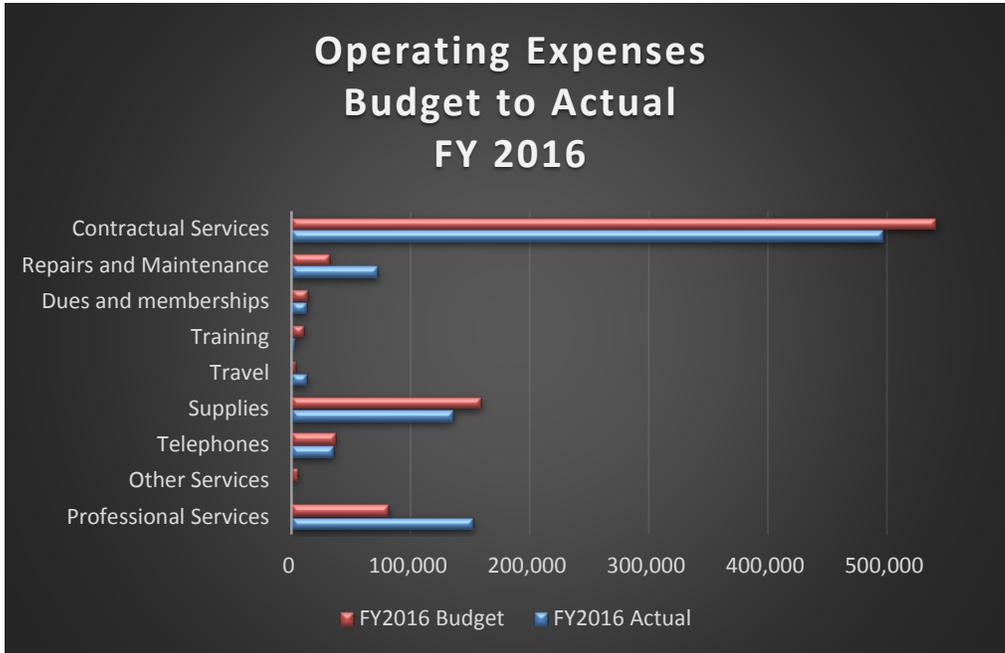
**3. Budget to Actual**

OIA requested a budget to actual comparison spreadsheet from the Department of Finance & Administrative Services for FY2016 through FY2018. It should be noted that at the time the information was provided, FY2018 amounts had not been finalized, and do not include adjusting entries. Other than personnel costs, the majority of City Legal’s actual operating expenses consist of Contractual and Professional Services, as shown in the chart below.

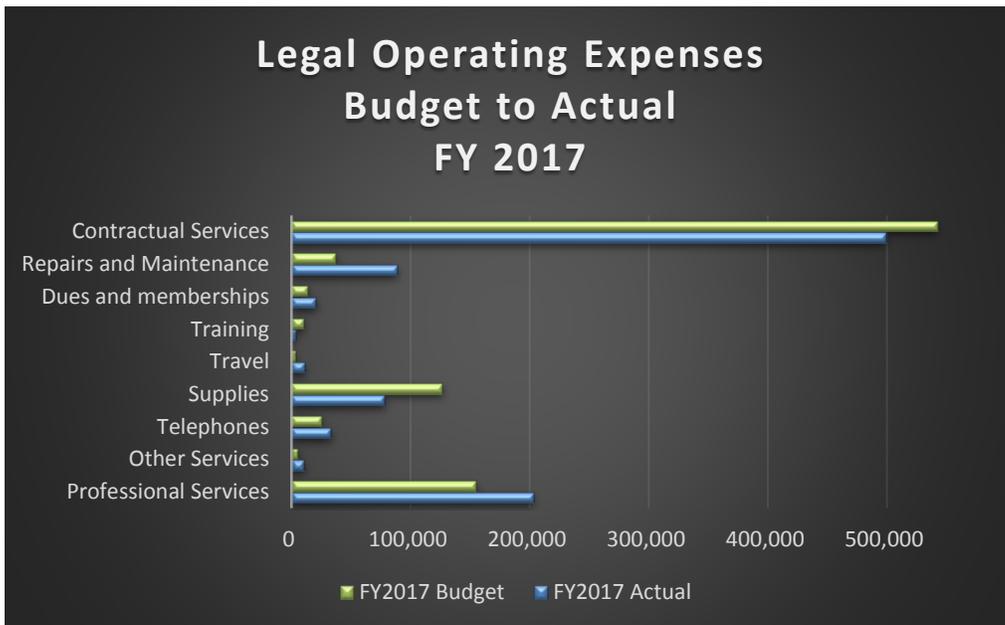


Source: City Legal budget analyst

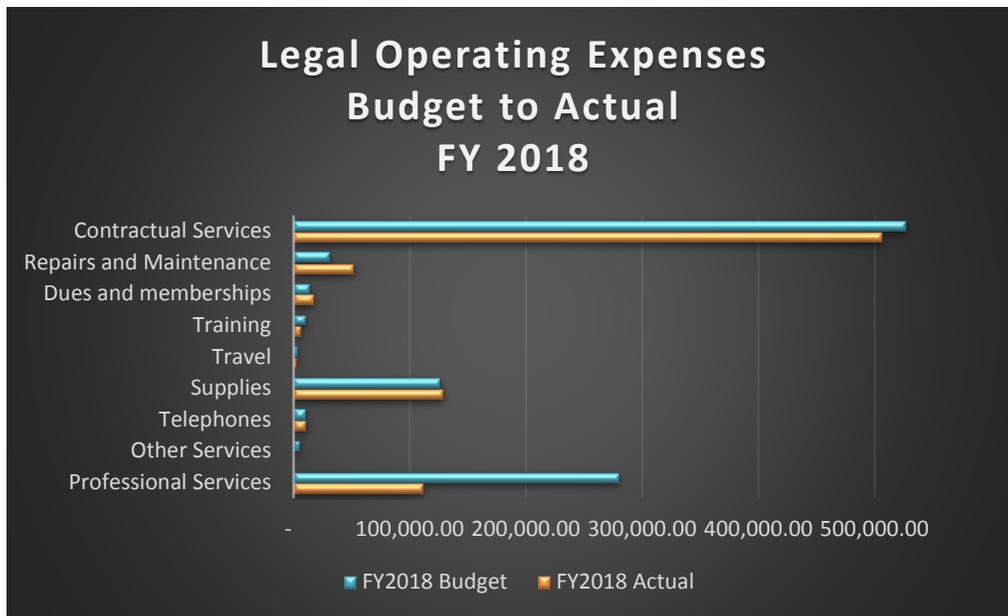
No significant changes or fluctuations were noted in City Legal’s operating expenses over the three-year period; however, City Legal did exceed its Repairs and Maintenance budget amounts in FYs 2016, 2017, and 2018 and exceeded its Professional Services budget amounts in FYs 2016 and 2017 as shown in the charts below.



Source: City Legal budget analyst



Source: City Legal budget analyst



Source: City Legal budget analyst

Regular budget monitoring is important to ensure departmental spending is compliant with available funding. Reviewing budget to actual amounts is a good starting point. The Government Finance Officers Association (GFOA) recommends that “all governments establish a formal set of processes for comparing budget to actual results to monitor financial performance.” Further information on GFOA’s best practices can be found at <http://www.gfoa.org/print/26041>.

### **RECOMMENDATIONS**

City Legal should establish formal budget policies and procedures and work with its assigned budget analyst to obtain and review quarterly budget to actual reports.

### **CONCLUSION**

Opportunities for fiscal process improvement exist within City Legal to improve internal controls and establish policies and procedures over contracting, P-Cards, procurement, and budgeting processes. Although a documented process for how to monitor outside counsel contracts exists, incorporating best practices will help City Legal establish compensating controls. A periodic review of internal processes and procedures is beneficial to any City department. City Legal’s documented process clearly identifies that one position served as the hub through which all outside counsel contract activity passed.

As stated in City Legal’s *Steps to Monitor Outside Counsel Contracts and Balances*, “The key to successful monitoring of outside counsel contracts is consistent communication between the Fiscal Officer; Legal Department attorneys; outside counsel attorneys; Risk Management; and Purchasing.”

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## APPENDIX A

**Payments to Outside Legal Counsel  
FY 2017**

	Payments to Outside Legal Counsel FY 2017 (City Attorney)	Payments to Outside Legal Counsel FY2017 (Risk Mgt/Other)	Total FY 2017 Payments to Outside Legal Counsel
ATLER LAW FIRM PC	\$ 3,553.12	\$ -	\$ 3,553.12
BUTT THORNTON & BAEHR PC	\$ 25,551.84	\$ 9,610.96	\$ 35,162.80
CONKLIN WOODCOCK & ZIEGLER PC	\$ 170,168.84	\$ -	\$ 170,168.84
EATON LAW OFFICE P C	\$ 6,123.52	\$ -	\$ 6,123.52
GARCIA LAW GROUP LLC	\$ 56,313.79	\$ 13,742.20	\$ 70,055.99
GERMAN & BURNETTE ASSOCIATES LLC	\$ 61,753.58	\$ -	\$ 61,753.58
HINKLE SHANOR LLP	\$ -	\$ -	\$ -
KAPLAN KIRSCH & ROCKWELL LLP	\$ 247,835.87	\$ -	\$ 247,835.87
KENNEDY MOULTON & WELLS PC	\$ 142,375.77	\$ -	\$ 142,375.77
LAW OFFICE OF JONLYN M MARTINEZ LLC	\$ 11,300.86	\$ 22,383.08	\$ 33,683.94
LORENZO F GARCIA	\$ 73,966.56	\$ -	\$ 73,966.56
MODRALL SPERLING ROEHL HARRIS	\$ 5,843.70	\$ -	\$ 5,843.70
PAUL KENNEDY & ASSOCIATES PC	\$ -	\$ 18,812.50	\$ 18,812.50
PETER WINOGRAD*	\$ 30,036.76	\$ 65,790.00	\$ 95,826.76
ROBLES RAEL & ANAYA PC	\$ 62,459.13	\$ -	\$ 62,459.13
THE BROWN LAW FIRM (BROWN & GURULE LLC)	\$ 72,335.52	\$ 3,186.59	\$ 75,522.11
WALZ & ASSOCIATES PC	\$ 96,045.80	\$ -	\$ 96,045.80
WIGGINS WILLIAMS & WIGGINS PC	\$ 130,927.48	\$ -	\$ 130,927.48
YLAW PC	\$ 63,185.83	\$ 114,101.66	\$ 177,287.49
<b>Grand Total</b>	<b>\$ 1,259,777.97</b>	<b>\$ 247,626.99</b>	<b>\$ 1,507,404.96</b>

Source: Risk Management claims system data

\* Expert witness – not an attorney

### Payments to Outside Legal Counsel FY 2018

	Payments to Outside Legal Counsel FY 2018 (City Attorney)	Payments to Outside Legal Counsel FY2018 (Risk Mgt/Other)	Total FY 2018 Payments to Outside Legal Counsel
ATLER LAW FIRM PC	\$ 26,840.08	\$ 16,874.82	\$ 43,714.90
BUTT THORNTON & BAEHR PC	\$ 25,391.43	\$ -	\$ 25,391.43
CONKLIN WOODCOCK & ZIEGLER PC	\$ 30,728.87	\$ -	\$ 30,728.87
EATON LAW OFFICE P C	\$ 8,903.08	\$ 779.38	\$ 9,682.46
GARCIA LAW GROUP LLC	\$ 38,016.80	\$ -	\$ 38,016.80
GERMAN & BURNETTE ASSOCIATES LLC	\$ 243,894.34	\$ -	\$ 243,894.34
HINKLE SHANOR LLP	\$ 4,971.17	\$ -	\$ 4,971.17
KAPLAN KIRSCH & ROCKWELL LLP	\$ -	\$ -	\$ -
KENNEDY MOULTON & WELLS PC	\$ 159,436.71	\$ -	\$ 159,436.71
LAW OFFCE OF JONLYN M MARTINEZ LLC	\$ 43,467.13	\$ 19,135.80	\$ 62,602.93
LORENZO F GARCIA	\$ 36,276.39	\$ 28,956.19	\$ 65,232.58
MODRALL SPERLING ROEHL HARRIS	\$ 25,931.74	\$ 75,509.11	\$ 101,440.85
PAUL KENNEDY & ASSOCIATES PC	\$ -	\$ -	\$ -
PETER WINOGRAD*	\$ 43,827.75	\$ 108,540.00	\$ 152,367.75
ROBLES RAEL & ANAYA PC	\$ 63,539.23	\$ -	\$ 63,539.23
THE BROWN LAW FIRM (BROWN & GURULE LLC)	\$ 119,794.88	\$ -	\$ 119,794.88
WALZ & ASSOCIATES PC	\$ 188,355.72	\$ -	\$ 188,355.72
WIGGINS WILLIAMS & WIGGINS PC	\$ 223,498.57	\$ -	\$ 223,498.57
YLAW PC	\$ 43,145.38	\$ 43,076.68	\$ 86,222.06
<b>Grand Total</b>	<b>\$ 1,326,019.27</b>	<b>\$ 292,871.98</b>	<b>\$ 1,618,891.25</b>

Source: Risk Management claims system data

\* Expert witness – not an attorney

**Payments to Outside Legal Counsel  
FY 2019 (Partial Year through September 2018)**

	<b>Payments to Outside Legal Counsel FY 2019 (City Attorney)</b>	<b>Payments to Outside Legal Counsel FY2019 (Risk Mgt/Other)</b>	<b>Total FY 2019 Payments to Outside Legal Counsel</b>
ATLER LAW FIRM PC	\$ 7,216.83	\$ -	\$ 7,216.83
BUTT THORNTON & BAEHR PC	\$ -	\$ -	\$ -
CONKLIN WOODCOCK & ZIEGLER PC	\$ -	\$ -	\$ -
EATON LAW OFFICE P C	\$ 42,500.00	\$ -	\$ 42,500.00
GARCIA LAW GROUP LLC	\$ -	\$ -	\$ -
GERMAN & BURNETTE ASSOCIATES LLC	\$ 78,426.73	\$ -	\$ 78,426.73
HINKLE SHANOR LLP	\$ 12,816.63	\$ -	\$ 12,816.63
KAPLAN KIRSCH & ROCKWELL LLP	\$ -	\$ -	\$ -
KENNEDY MOULTON & WELLS PC	\$ 28,790.67	\$ -	\$ 28,790.67
LAW OFFCE OF JONLYN M MARTINEZ LLC	\$ -	\$ -	\$ -
LORENZO F GARCIA	\$ -	\$ 15,865.65	\$ 15,865.65
MODRALL SPERLING ROEHL HARRIS	\$ -	\$ -	\$ -
PAUL KENNEDY & ASSOCIATES PC	\$ -	\$ -	\$ -
PETER WINOGRAD*	\$ 9,014.85	\$ 18,810.00	\$ 27,824.85
ROBLES RAEL & ANAYA PC	\$ 307.93	\$ -	\$ 307.93
THE BROWN LAW FIRM BROWN & GURULE LLC	\$ 5,078.57	\$ -	\$ 5,078.57
WALZ & ASSOCIATES PC	\$ 1,941.75	\$ 3,242.88	\$ 5,184.63
WIGGINS WILLIAMS & WIGGINS PC	\$ 4,640.97	\$ -	\$ 4,640.97
YLAW PC	\$ 13,736.27	\$ 31,653.42	\$ 45,389.69
<b>Grand Total</b>	<b>\$ 204,471.20</b>	<b>\$ 69,571.95</b>	<b>\$ 274,043.15</b>

Source: Risk Management claims system data

\* Expert witness – not an attorney

**APPENDIX B****City Legal's Steps to Monitor Outside Counsel Contracts and Balances**

1. It is the responsibility of the Legal Department to monitor the invoices submitted to Risk Management for payment and to ensure the balance of the contract amount is sufficient and has received the required authorization during the term of each outside council contract.
2. The Fiscal Officer shall begin contract preparation in April of each fiscal year to ensure there is sufficient time to prepare and obtain the required approvals and signatures for the contracts to ensure that they are in place at the beginning of each fiscal year.
3. The Fiscal Officer will work in conjunction with the City Attorney to determine the proper contract amount for each contract.
4. Outside counsel will be directed to provide all invoices to the Fiscal Officer to be reviewed and logged in a spreadsheet named the Invoice Tracker before being submitted to Risk Management for payment processing.
5. The Fiscal Officer shall maintain an additional spreadsheet with current outstanding invoices and the level of funding of each contract so the funding level and balance remaining for each contract is readily available.
6. Attorneys will provide the Fiscal Officer with a monthly update of newly opened cases and the associated case management plans projecting the budget for such cases.
7. The Fiscal Officer will obtain a report from Risk Management every two weeks showing what invoices have been paid and will reconcile this information with the Invoice Tracker. The Fiscal Officer shall research and resolve any discrepancies thoroughly.
8. The Fiscal Officer will prepare an Executive Communication to submit to the City Council when additional funding is determined to be necessary and the additional funding causes the contract total to exceed \$75,000.
9. The key to successful monitoring of outside counsel contracts is consistent communication between the Fiscal Officer; legal Department attorneys; outside counsel attorneys (when necessary); Risk Management; and Purchasing.

Prepared By; July 19, 2016