

AUDIT REPORT

LIMITED SCOPE REVIEW

UNALLOCATED EXPENSE PAYMENTS

FOR ATTORNEYS AND ASSIGNED COUNSEL

PROCESSED BY THE DUTCHESS COUNTY

Department of Law and Department of Human Resources – Office of Risk Management

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Background and Organization

The Dutchess County Department of Law (Department of Law) is comprised of the County Attorney and a supporting staff of 17 employees who are responsible for handling various legal matters involving Dutchess County. The department reviews, prosecutes or defends the county in a variety of legal matters such as claims, litigations, contracts, grants and the negotiation of labor contracts.

The Office of Risk Management (Risk Management), a division of the Dutchess County Department of Human Resources, is responsible for developing and administering a variety of programs, as well as utilizing various resources to protect and insure the safety and assets of the County of Dutchess and its employees. The Office of Risk Management works in cooperation with the Department of Law and other county departments for this common goal which includes the process of the resolution of claims and litigations.

Audit Scope and Objective and Methodology

The county, on occasion, receives summons or notices of complaint which may result in a conflict of interest or need for a specialty attorney. Therefore, the county must retain outside counsel for representation. An audit was performed to review and assess the process and procedures for the payment of the outside attorneys/assigned counsel. Information was derived from invoices, records and documentation from the county's financial management system, the Department of Law, the Office of Risk Management and interviews with their staff.

Summary of Findings

- ❖ The records and documentation reviewed were readily available and in most cases found in good order.
- ❖ To provide attestation of the County Attorney's review, a procedure of dating and initialing invoices has been implemented.
- ❖ The department's posting of payments, accounting and record keeping were well maintained.

Detailed Findings

Invoices submitted for payment against A.1910.12.4444 Attorneys/Assigned Counsel for 2014 services were reviewed. The total amount paid from this account was \$732,861.47 comprised of the following: \$417,229.78 paid from the 2014 budget, \$205,331.69 and \$110,300 were paid from 2015 funds as per legislative resolution #2015024 and 2015203 respectively. Note: a journal in the amount of \$205,332.00 was processed to transfer the monies authorized by resolution #2015024 to A.1910.12.4463.320 Judgements & Claims 6-N Lawsuits Not Covered By Insurance. The corresponding expenses totaling \$205,331.69 were also journaled to A.1910.12.4463.320.

Procedure Review for Payment of Invoices

In situations where Dutchess County receives a summons or notice of complaint, it may be necessary to refer the case to outside counsel for legal representation and defense. Selection of the law firm to represent the county is based upon the firm's legal specialty and the nature of the complaint or suit. Once the County Attorney determines which firm will handle a specific case, a letter of agreement is drafted and signed. This letter includes the specific terms and rates agreed upon by both parties. As services are rendered the law firms are required to

submit a detailed statement to the Department of Law describing the services provided by their attorneys, associates or paralegals. This statement includes the specific dates, the amount of time and the rate spent for each of the services performed in addition to reimbursable expenses made by the firm. The invoices should include a description of the reimbursable expenses and supporting documentation as additional back-up. The statements or invoices are initially reviewed by the County Attorney. The bill is then given to the Legal Secretary who also reviews the bill, verifies the amounts, dates and back-up documentation for general reimbursements. Once this process is completed it is entered onto the county's financial management system for payment and the invoice and any back-up documentation for reimbursable expenses are scanned and attached. The Director of Risk Management reviews the invoice and documentation for any anomalies or discrepancies prior to approving the payment. If an anomaly is noted, the Department of Law is contacted for clarification and correction if necessary. The payment information and details such as: the invoice numbers, case names, dates covered, amounts and batch/journal numbers are entered into the County Attorney's database in a specific section designated for each law firm. The Legal Secretary also maintains separate excel spreadsheets to track the payments made to each firm. Risk Management also maintains a spreadsheet to track the progress of each claim until the resolution.

Observations

Anomalies found and discussed with the department:

- At the time of our initial review of invoices; it was noted that while the County Attorney reviews the invoices, an attestation (initialing and date of review) was not evidenced.
- 13 out of 139 invoices reviewed did not have detailed documentation for significant reimbursable expenses such as: recording fees, transcript fees, service fees for a summons, request for judicial intervention, medical records, parking and fees for trial binders.
- 5 out of 139 invoices reviewed had a hand written notation on the bill that payment was to be split and only half of the amount was the responsibility of the county. These invoices were for one particular case. In addition, these billings had different attorney rates that were higher than what was normally charged for these attorneys. Documentation and a copy of the terms of agreement for this particular case were submitted by the department to substantiate the amounts paid.

Actions Taken

- The Department of Law has recently implemented the procedure of having the County Attorney initial and date bills as attestation of the services and charges.
- The department is requiring consistent documentation from the law firms for reimbursable expenses as stated in the terms agreed upon when services are retained by the county.
- The department is now scanning the original letter of agreement between the law firm and the county with the additional required back-up documentation when the firm's first invoice is submitted for payment.