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IDENTIFICATION AND RECOVERY OF THIRD-PARTY DAMAGES

JULY 2, 2013

MAYOR AND CITY COUNCIL

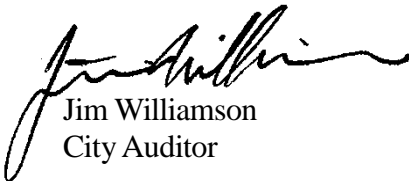|	
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Patrick Ryan	*Ward 8*

July 2, 2013

The Mayor and City Council:

The Office of the City Auditor has completed an audit of the identification and recovery of third-party damages collected by the Municipal Counselor's Office (MCO) and by Collections Management Resources (CMR). We did not audit trust- or crime-related recoveries or the effectiveness of or compliance with the CMR contract.

Based upon the results of our audit, we believe that procedures for identifying and recovering third-party damages are adequate and effective, except for controls to ensure damages are completely identified for recovery and collections are completely deposited.

We identified a number of recommendations to help improve completeness of damage referrals and accountability over collections. In Recommendation 14, we proposed development of an on-line damage reporting and recovery database, which could address the majority of our recommendations.

The content and emphasis of the items in this report have been discussed with appropriate management representatives to assure a complete understanding of the observations arising from our audit. Management responses are attached to this report in their entirety.

Jim Williamson
City Auditor

Brett Rangel
Audit Manager

IDENTIFICATION AND RECOVERY
OF THIRD-PARTY DAMAGES

AUDIT OBJECTIVE, BACKGROUND, SCOPE AND METHODOLOGY

OBJECTIVE

The objective of this audit was to evaluate the adequacy and determine the effectiveness of procedures for identifying and recovering damages by third parties during the 12 months ended June 30, 2012.

BACKGROUND

The Municipal Counselor's Office (MCO) is responsible for recovering the cost of damages and injuries to City property, employees and retirees caused by third parties. On May 17, 2011, the City contracted with Claims Management Resources (CMR) to specifically identify and recover damages to traffic infrastructure maintained by Public Works - Streets, Traffic, and Drainage Maintenance (PW Maintenance). Upon receipt from third parties, MCO and CMR collections are deposited with the City Treasurer's Office (City Treasurer). See Table 1 for an estimated summary of collections during Fiscal Year 2012.

		TABLE 1
MCO AND CMR DAMAGE RECOVERIES		**FY2012**
Vehicle Damage Recoveries	$ 210,766	36%
Traffic Infrastructure Damage Recoveries (CMR)	147,920	25%
Miscellaneous Recoveries	101,574	18%
Worker's Compensation Subrogation	94,874	16%
Health Insurance (Injury) Subrogation	29,330	5%
Total Collections	**$ 584,464**	**100%**

NOTE: The breakdown and total collection amounts above were estimated using MCO, City Treasurer, and CMR records.

SCOPE

The scope of our audit was limited to damages identified and/or collected by CMR and MCO and did not include Trust- or crime-related recoveries (e.g., City buses, fire hydrants, vandalism, etc.). We did not audit the effectiveness of or compliance with the CMR contract or attempt to evaluate the judgment of MCO attorneys in assessing recoverability of damages referred to them.

METHODOLOGY

Procedures performed during our audit included interviewing City and CMR management; reviewing relevant contracts, statutes, ordinances and management policies; reviewing property damage referral records; reviewing vehicle and PW Maintenance repair records and related Oklahoma City Police Department (OCPD) collision reports; reviewing and assessing collection and follow up processes, procedures, record-keeping, and related management controls.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RESULTS OF WORK PERFORMED

Results of our audit indicate that procedures for identifying and recovering damages by third parties were adequate and effective, except for controls to ensure damages are completely identified for recovery and collections are completely deposited.
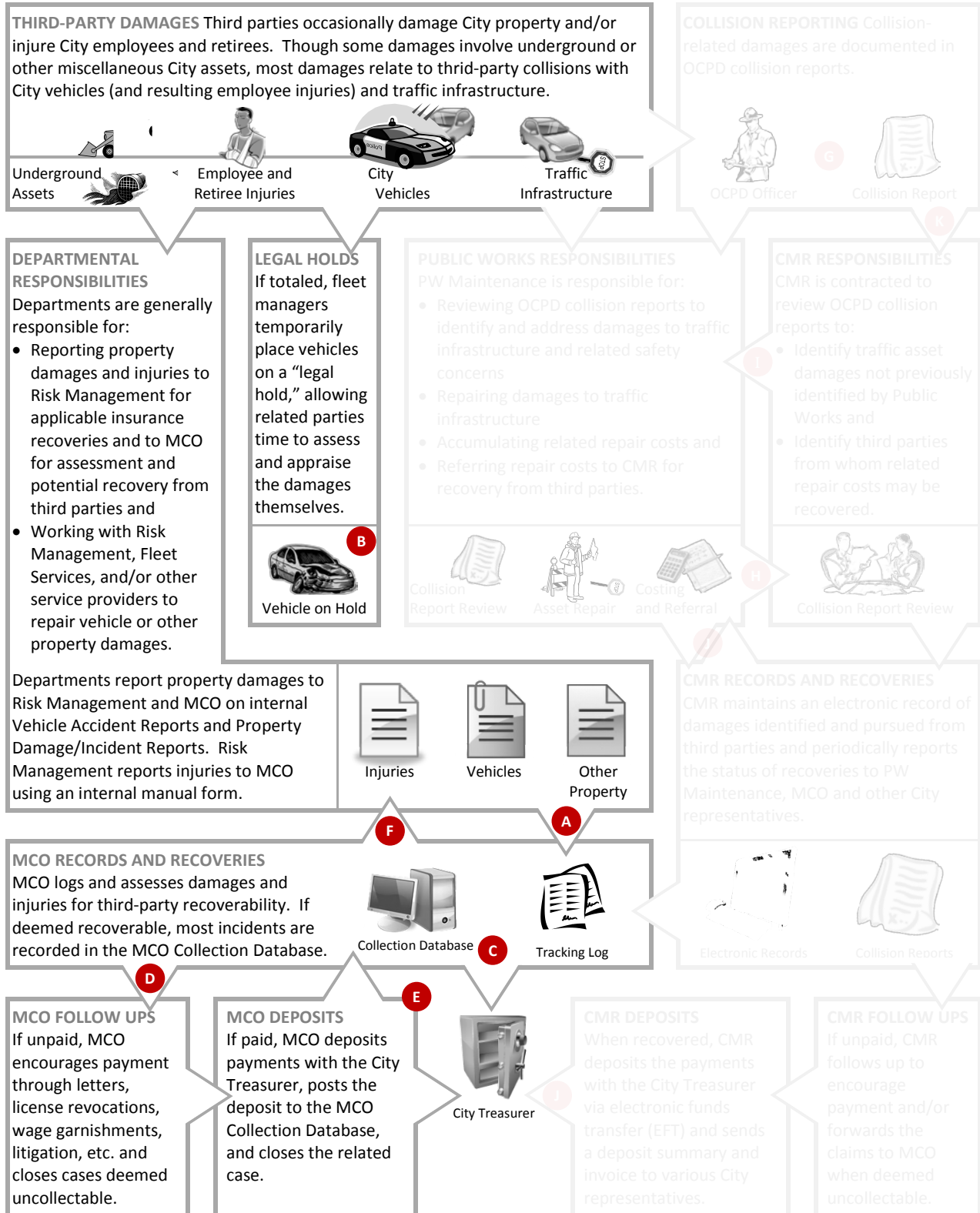
Exhibits 1 and 2 depict an overview of the MCO and CMR collection processes, respectively. As suggested in the note following each exhibit, reference to the exhibit and the red labels will help to understand the context of the following comments and recommendations. Each recommendation included in this report is immediately followed by management's response. Management's responses are attached to this report in their entirety.

MCO DAMAGE RECOVERY RECOMMENDATIONS

As depicted in Exhibit 1 on the next page, departments are responsible for referring property damages and injuries to the Risk Management Division (Risk Management) of the Finance Department (Finance) and to MCO for assessment and recovery. Risk Management coordinates recovery/payment of property damage and employee injury costs from City-contracted insurers/self-insurance funds; while MCO assesses recoverability and pursues damage costs from at-fault third parties.

Exhibit 1 and subsequent recommendations 1 through 6, address possible process improvements relating to damage costs referred to and pursued by MCO.

EXHIBIT 1: MCO DAMAGE IDENTIFICATION AND COLLECTION PROCESS

THIRD-PARTY DAMAGES Third parties occasionally damage City property and/or injure City employees and retirees. Though some damages involve underground or other miscellaneous City assets, most damages relate to thrid-party collisions with City vehicles (and resulting employee injuries) and traffic infrastructure.

Underground Assets   Employee and Retiree Injuries   City Vehicles   Traffic Infrastructure

COLLISION REPORTING Collision-related damages are documented in OCPD collision reports.

OCPD Officer   **G**   Collision Report

DEPARTMENTAL RESPONSIBILITIES
Departments are generally responsible for:
- Reporting property damages and injuries to Risk Management for applicable insurance recoveries and to MCO for assessment and potential recovery from third parties and
- Working with Risk Management, Fleet Services, and/or other service providers to repair vehicle or other property damages.

Departments report property damages to Risk Management and MCO on internal Vehicle Accident Reports and Property Damage/Incident Reports. Risk Management reports injuries to MCO using an internal manual form.

LEGAL HOLDS
If totaled, fleet managers temporarily place vehicles on a "legal hold," allowing related parties time to assess and appraise the damages themselves.

B

Vehicle on Hold

PUBLIC WORKS RESPONSIBILITIES
PW Maintenance is responsible for:
- Reviewing OCPD collision reports to identify and address damages to traffic infrastructure and related safety concerns
- Repairing damages to traffic infrastructure
- Accumulating related repair costs and
- Referring repair costs to CMR for recovery from third parties.

Collision Report Review   Asset Repair   Costing and Referral

CMR RESPONSIBILITIES
CMR is contracted to review OCPD collision reports to:
- Identify traffic asset damages not previously identified by Public Works and
- Identify third parties from whom related repair costs may be recovered.

I

H   Collision Report Review

Injuries   Vehicles   Other Property

F   **A**

CMR RECORDS AND RECOVERIES
CMR maintains an electronic record of damages identified and pursued from third parties and periodically reports the status of recoveries to PW Maintenance, MCO and other City representatives.

MCO RECORDS AND RECOVERIES
MCO logs and assesses damages and injuries for third-party recoverability. If deemed recoverable, most incidents are recorded in the MCO Collection Database.

Collection Database   **C**   Tracking Log

Electronic Records   Collision Reports

D   **E**

MCO FOLLOW UPS
If unpaid, MCO encourages payment through letters, license revocations, wage garnishments, litigation, etc. and closes cases deemed uncollectable.

MCO DEPOSITS
If paid, MCO deposits payments with the City Treasurer, posts the deposit to the MCO Collection Database, and closes the related case.

City Treasurer

CMR DEPOSITS
When recovered, CMR deposits the payments with the City Treasurer via electronic funds transfer (EFT) and sends a deposit summary and invoice to various City representatives.

J

CMR FOLLOW UPS
If unpaid, CMR follows up to encourage payment and/or forwards the claims to MCO when deemed uncollectable.

Note: The red labels above correspond to areas in which we identified possible process improvements, further explained on subsequent pages of this report.

Developing and/or improving referral policies and forms could help increase recovery of property damage and injury costs.

Although the City Safety Manual and related procedures, forms and instructions clearly address referrals to Risk Management, City policies do not adequately address referral of incidents to MCO for assessment and potential recovery.[1]

A We noted a variety of potentially recoverable damages that were either not referred for recovery or were overly delayed before referral:

- Based on discussion with management, damages to underground infrastructure (i.e., storm water drainage, traffic signal wiring, and fiber optic network cables) and certain collision-susceptible infrastructure (e.g., parking meters, Wi-Fi units, CCTV cameras, etc.) do not appear to be consistently referred to MCO for recovery.

- Six (6) of 33 damaged vehicles reviewed were not referred to MCO for assessment.[2]

- Vehicle Accident Reports logged by MCO during FY 2012 were delayed an average of 58 days prior to receipt by MCO (compared to the 5-day policy requirement).

The absence of clear damage referral and recovery policies could result in lost recoveries. Delayed referrals could also result in diminished recoverability.

RECOMMENDATION 1: Risk Management and MCO should revise damage reporting forms and related policies, instructions, and training agendas to convey the purpose and importance of referrals and encourage the submission of all property damages and injuries to MCO for assessment and collection of recoverable costs.

FINANCE RESPONSE 1: Agree with recommendation. The Risk Management Division will work with the Municipal Counselor's Office to revise damage reporting forms and related policies, instructions, and training agendas to convey the purpose and importance of referrals and encourage the submission of all property damages and injuries to the Municipal Counselor's Office for assessment and collection of recoverable costs.

MCO RESPONSE 1: Agreed. The Municipal Counselor's Office agrees to work with Risk Management to revise damage reporting forms to advise departments that these forms should be forwarded directly and immediately to the Municipal Counselor's Office. The Municipal Counselor's Office also agrees to remind department heads that collection services are available and to explain the benefit to the City of pursuing property damage collections.

Formal guidance could help ensure totaled vehicles are appropriately held for legal assessment and collection purposes and released timely for trade-in or auction.

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[1] The City's Vehicle Accident Report indicates a copy should be sent to MCO. However, no other forms, policies or procedures address or explain the need for referral of damages to MCO for assessment and recovery of related costs.
[2] Repair costs and/or estimates for noted damages range from $494 to $15,384.

B Departments work with Risk Management, Fleet Services or others to repair property damages. Vehicle repairs are primarily coordinated by City fleet managers, who hold totaled vehicles until further notice by MCO. However, the purpose, criteria, status, or release of these holds has not been clearly or consistently communicated to fleet managers.

Though MCO holds are infrequent, we noted five motorcycles had been on hold from 10-84 months; one of the motorcycles and a vehicle were held after collection and/or case closing; and two vehicles were flagged for disposition prior to MCO logging/assessment.

Premature releases could diminish MCO litigation and collection efforts; while untimely releases could reduce trade-in values.

RECOMMENDATION 2: MCO should develop (a) procedures for monitoring and formally communicating the status and release of MCO holds and (b) formal guidance to fleet managers minimally addressing:

- The purpose of holding vehicles.
- Criteria for determining when to hold and release a vehicle.
- Appropriate alternatives to holding a vehicle (e.g., digital photos).
- Appropriate channels of communication and approval prior to releasing vehicles.

MCO RESPONSE 2: Agreed. The Municipal Counselor's Office agrees to develop a formalized procedure for monitoring the status of said "holds" and provide guidance which will address their purpose, criteria, appropriate alternatives, and release.

Improved records, reconciliations and related policies could improve oversight, management, and accountability of damage and injury recoveries.

MCO records departmental referrals in a Tracking Log and, if deemed recoverable, in a separate Collection Database. MCO pursues recovery from third parties until collected or deemed uncollectable. Collected amounts are deposited with the City Treasurer.

Though MCO collections appear to be reasonably complete, we noted the following weaknesses in MCO and Risk Management records and procedures:

C
- The MCO Tracking Log and Collection Database exclude certain collection types, totaling as much as $111,000 during FY 2012.[3]
- Per discussion with MCO management, some incidents normally recorded on the Tracking Log and Collection Database had not been recorded and/or updated timely.[4]

Incomplete and untimely record-keeping does not allow MCO to perform periodic reconciliations with City Treasurer deposits, ensuring the accuracy and completeness of collections received.

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[3] For example, health insurance subrogation collections on behalf of the Personnel Department's Benefits Division (Benefits) are not recorded in the MCO Tracking Log or Collection Database. These totaled $29,000 during FY 2012.

[4] Of 30 incidents reviewed, we confirmed some were not updated (6) or recorded (5) in the Tracking Log and/or Collection Database. We also confirmed that 16 of the 30 (which were recorded and pursued) took an average of 80 days to assess and record in the Tracking Log and Collection Database.

(D) • The Tracking Log and Collection Database do not contain adequate fields or reporting capabilities to facilitate regular monitoring or follow up of referred incidents. • Six (6) of 30 incidents reviewed had not been followed up in accordance with MCO policies. • As of June 30, 2012, 134 of 495 incidents recorded in the Collection Database had not been closed in accordance with MCO policies.	Missed or untimely follow ups could reduce collections and/or collectability.
(E) • Two MCO employees have the authority to handle payments, edit/delete records, and dispose of cases relating to property damage and worker's compensation collections, respectively referred by departments and Risk Management. • A third MCO employee has sole authority to handle payments, edit/delete records, and dispose of cases relating to health insurance subrogation collections referred by Benefits or by the City's health insurance provider.	Failure to segregate payment handling from case disposition and record-keeping responsibilities results in risk of undetected theft.
(F) • Risk Management worker's compensation cases flagged for referral to MCO are not periodically compared to the MCO Tracking Log or reconciled to MCO deposits with the City Treasurer.	Without periodic reconciliations, the completeness of MCO referrals and accuracy of collections information in the worker's compensation claim database cannot be ensured.

In addition, MCO collection policies do not address **(C)** logging all recovery types, **(C)** periodic reconciliations of the Collection Database to City Treasurer deposits, or **(E)** appropriate segregation of responsibilities. A lack of formal policies and procedures could result in inconsistent collection practices and a potential loss in collections.

RECOMMENDATION 3: MCO should record the receipt of **all** departmental referrals in a central log and/or database designed with adequate data fields and reporting capabilities to facilitate:

- Periodic reconciliations of recorded collections to City Treasurer deposits.
- Timely monitoring and follow up of outstanding cases, including communication of legal hold statuses and releases. Also, see RECOMMENDATION 2.

MCO RESPONSE 3: *Agreed. The Municipal Counselor's Office agrees to work with the IT department to develop a new computer system for logging all damage referrals in one place, with all appropriate data fields, alerts and monitoring capabilities.*

RECOMMENDATION 4: To segregate payment handling and record-keeping responsibilities, MCO should develop procedures to have all third-party recovery and subrogation payments deposited directly with the City Treasurer. In the event third parties send payments to MCO, the MCO mail clerk should record all such payments in a secured log (periodically reviewed by MCO collections staff with read-only access) and forward the payments to the City Treasurer.

MCO RESPONSE 4: Agreed with modification. The Municipal Counselor's Office agrees to develop procedures wherein a Municipal Counselor's Office employee or employees that have read-only access to the collections database will receive and record payments received by the MCO in a secured log before delivering the payments to the City Treasurer. Collections staff will have no ability to alter the secured log of payments, so no person who handles money will be maintaining the collections database.

FINANCE RESPONSE 4: Agree with recommendation. The City Treasurer will work with the Municipal Counselor's Office to accommodate payments being mailed directly to the City Treasurer's Office. Any information or documents included with these payments will be immediately forwarded to the Municipal Counselor's Office for entry to the Tracking Log. The City Treasurer will pursue efforts to establish a database to communicate this information electronically.

RECOMMENDATION 5: Risk Management should periodically compare worker's compensation cases flagged for referral to MCO to:

- MCO's Tracking Log to ensure the completeness of referrals.
- City Treasurer deposit records to ensure the accuracy of collections information in the worker's compensation database.

FINANCE RESPONSE 5: Agree with recommendation. The Risk Management Division will implement a process to periodically compare worker's compensation records on cases referred to the Municipal Counselor's Office for potential recoverable costs to:
- *MCO's records on recoveries, and*
- *The City Treasurer's records to ensure the accuracy of collections information in the worker's compensation database.*

RECOMMENDATION 6: To help ensure the continuity and integrity of MCO collection practices, MCO should expand existing collections policies to address complete logging and periodic reconciling of all collection types (RECOMMENDATION 3) and appropriate segregation of payment handing responsibilities (RECOMMENDATION 4).

MCO RESPONSE 6: Agreed. The Municipal Counselor's Office agrees to update its existing collections policies to address complete logging, periodic reconciling of all collection types, and segregation of payment handling.
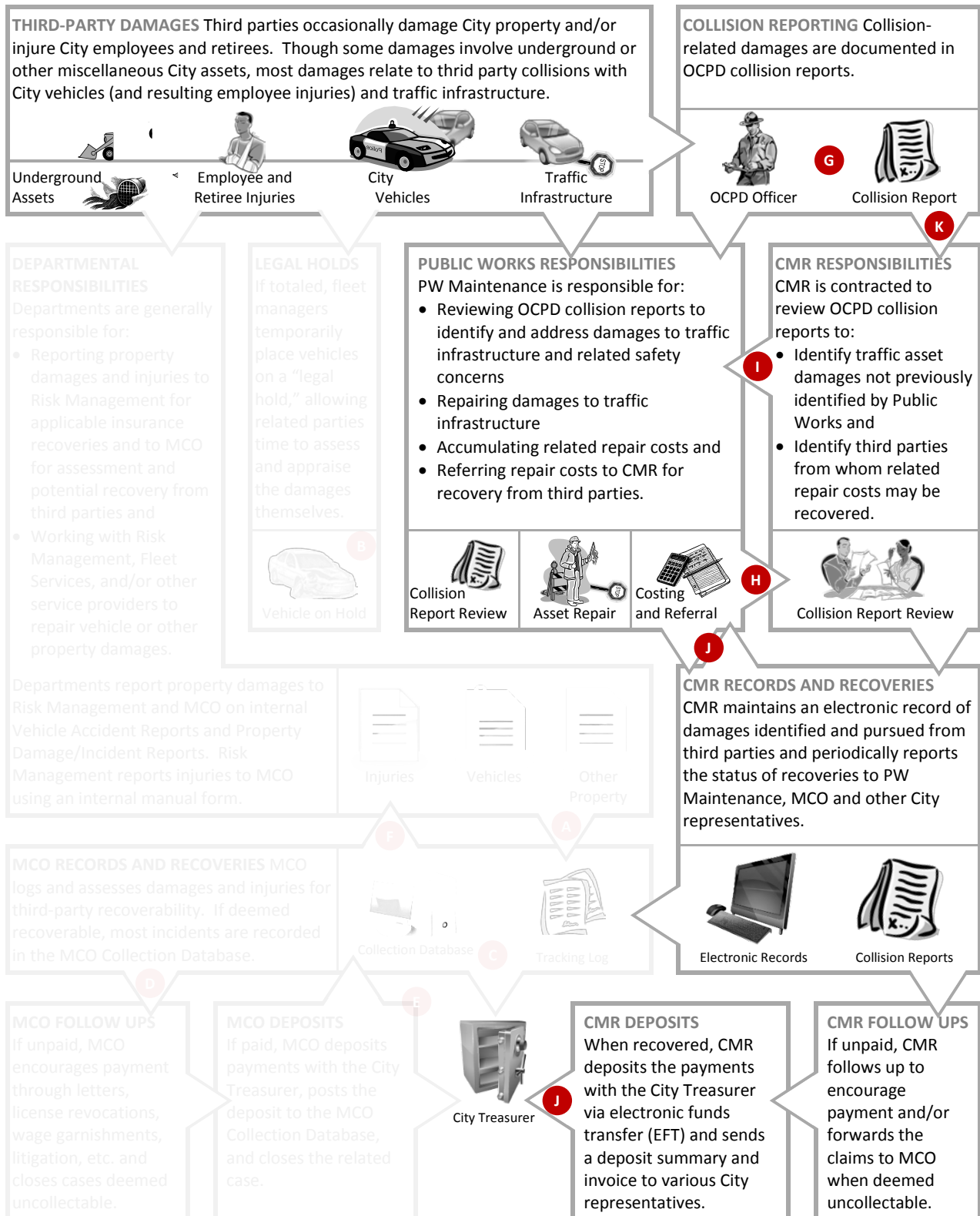
COLLISION-RELATED DAMAGE RECOVERY RECOMMENDATIONS

As depicted in Exhibit 2 on the next page, some third-party damages, relating to infrastructure (e.g., traffic signals, guardrails, signs, etc.) maintained by PW Maintenance, most frequently occur during traffic collisions. OCPD patrol officers document collisions via collision reports, which contain information regarding damages to personal and public property.

As a public safety measure, PW Maintenance reviews OCPD collision reports daily to ensure prompt repairs to damaged traffic signals, signs and other critical infrastructure. To help ensure a complete identification and recovery of collision-related damages, CMR was contracted to perform a second review of collision reports and to pursue related repair costs from at-fault third parties.

Exhibit 2 and subsequent recommendations 7 through 13, address possible process improvements relating to damage costs referred to and pursued by CMR.

EXHIBIT 2: CMR DAMAGE IDENTIFICATION AND COLLECTION PROCESS

THIRD-PARTY DAMAGES Third parties occasionally damage City property and/or injure City employees and retirees. Though some damages involve underground or other miscellaneous City assets, most damages relate to thrid party collisions with City vehicles (and resulting employee injuries) and traffic infrastructure.

Underground Assets

Employee and Retiree Injuries

City Vehicles

Traffic Infrastructure

COLLISION REPORTING Collision-related damages are documented in OCPD collision reports.

OCPD Officer

G

Collision Report

K

DEPARTMENTAL RESPONSIBILITIES
Departments are generally responsible for:

- Reporting property damages and injuries to Risk Management for applicable insurance recoveries and to MCO for assessment and potential recovery from third parties and
- Working with Risk Management, Fleet Services, and/or other service providers to repair vehicle or other property damages.

Departments report property damages to Risk Management and MCO on internal Vehicle Accident Reports and Property Damage/Incident Reports. Risk Management reports injuries to MCO using an internal manual form.

LEGAL HOLDS
If totaled, fleet managers temporarily place vehicles on a "legal hold," allowing related parties time to assess and appraise the damages themselves.

B

Vehicle on Hold

PUBLIC WORKS RESPONSIBILITIES
PW Maintenance is responsible for:

- Reviewing OCPD collision reports to identify and address damages to traffic infrastructure and related safety concerns
- Repairing damages to traffic infrastructure
- Accumulating related repair costs and
- Referring repair costs to CMR for recovery from third parties.

Collision Report Review

Asset Repair

Costing and Referral

H

CMR RESPONSIBILITIES
CMR is contracted to review OCPD collision reports to:

- Identify traffic asset damages not previously identified by Public Works and
- Identify third parties from whom related repair costs may be recovered.

I

Collision Report Review

J

MCO RECORDS AND RECOVERIES MCO logs and assesses damages and injuries for third-party recoverability. If deemed recoverable, most incidents are recorded in the MCO Collection Database.

D

Injuries

Vehicles

Other Property

F

Collection Database

C

A

Tracking Log

CMR RECORDS AND RECOVERIES
CMR maintains an electronic record of damages identified and pursued from third parties and periodically reports the status of recoveries to PW Maintenance, MCO and other City representatives.

Electronic Records

Collision Reports

MCO FOLLOW UPS
If unpaid, MCO encourages payment through letters, license revocations, wage garnishments, litigation, etc. and closes cases deemed uncollectable.

MCO DEPOSITS
If paid, MCO deposits payments with the City Treasurer, posts the deposit to the MCO Collection Database, and closes the related case.

E

City Treasurer

J

CMR DEPOSITS
When recovered, CMR deposits the payments with the City Treasurer via electronic funds transfer (EFT) and sends a deposit summary and invoice to various City representatives.

CMR FOLLOW UPS
If unpaid, CMR follows up to encourage payment and/or forwards the claims to MCO when deemed uncollectable.

Note: The red labels above correspond to areas in which we identified possible process improvements, further explained on subsequent pages of this report.

Formal guidance and periodic reminders could help ensure that damages are documented in OCPD collision reports.

G OCPD collision report training, policies, and instructions do not highlight the fact that these reports are used to identify and recover damages to City property.

A lack of formal guidance and reminders could result in fewer documented damages and related recoveries.

RECOMMENDATION 7: OCPD should include the damage recovery purpose in formal collision report training, policies and/or instructions and should, at least annually, remind patrol officers that damages to public property noted in collision reports are used for recovery purposes.

OCPD RESPONSE 7: *Agree with recommendation. The Police Department's 3rd phase In-Service training begins in September 2013. Officers will receive training on how proper accident investigation and reporting relates to the City's process for recovering damage to its property.*

Improved controls could help ensure more complete recoveries of contract-related damages.
PW Maintenance refers identified damages to CMR for recovery via manual damage reports. CMR also independently identifies damages for pursuit/recovery and periodically reports the status of claims pursued and the breakdown of collections deposited with the City Treasurer. The completeness and accuracy of CMR damage recoveries depends on accurate accumulation and effective sharing of information between PW Maintenance and CMR. However, we noted the following internal control weaknesses:

H
- Public Works - Traffic Management (Traffic Management) pays OG&E over $90,000 per year for repairs to light poles maintained by the City and located on state highways. Highway collisions are generally documented in State collision reports versus OCPD collision reports reviewed by CMR. Further, Traffic Management does not obtain and/or forward highway light pole damage information (e.g., damage date, location and amount) to PW Maintenance or CMR for possible recovery.
- PW Maintenance and CMR informally agreed to pursue sign damages at an average repair cost. Due to miscommunications relating to this informal agreement, some sign damages were not referred by PW Maintenance, others were not pursued by CMR, and others' associated costs were not consistently pursued by CMR.
- Though not material, we also noted PW Maintenance's damage cost referrals to CMR occasionally excluded employee benefit/overhead costs and post-referral cost updates.

Incomplete and inconsistent referrals of damage information to CMR may result in incomplete property damage collections.

- (H) • PW Maintenance refers the cost of identified damage incidents to CMR prior to receiving a list of independently identified incidents from CMR.
- (I)
- (J) • PW Maintenance and/or CMR currently do not log, compare or review recovery records to ensure completeness and accuracy of incidents pursued by CMR and collections deposited with the City Treasurer.

Current practices do not provide an adequate basis to evaluate the effectiveness of CMR reviews and recoveries (as contemplated in the CMR contract) and prevent potential fraud.

RECOMMENDATION 8: Public Works (Traffic Management and PW Maintenance) should work with CMR and OG&E to ensure CMR receives available damage information to allow pursuit and recovery of light pole repair costs paid to OG&E. Consideration should be given to pursuing recovery of prior year(s') damages.

PUBLIC WORKS RESPONSE 8: Agree with recommendation. In order to maximize recovery of repair costs, Public Works requires the timely receipts of repair invoices from OG&E, and the timely and comprehensive receipt of accident reports from the Oklahoma City Police Department, various County Sheriff Offices, and the Oklahoma Highway Patrol.

RECOMMENDATION 9: To encourage consistency and verification by the City (as contemplated in the CMR contract), recovery of sign damages should be pursued at actual cost.

PUBLIC WORKS RESPONSE 9: Agree with recommendation. At one time actual costs were billed for all sign damages. Currently, a set cost structure is being utilized and after visiting with staff, we were not able to determine why a change was made to the billing procedure. Billing of actual costs is possible through the Cityworks work-order system will be implemented by July 1, 2013.

RECOMMENDATION 10: PW Maintenance should ensure damage costs referred to CMR include benefits/overhead costs and are updated when work order costs are modified.

PUBLIC WORKS RESPONSE 10: Agree with recommendation. The Public Works Department will include overhead and benefit costs in all future billing information.

RECOMMENDATION 11: To provide a basis for evaluating the effectiveness of CMR reviews, PW Maintenance should request and retain a list of damages identified by CMR prior to referring cost details. To help ensure accuracy and completeness of incidents pursued and collections deposited, PW Maintenance should log and periodically reconcile referral records to CMR status reports and City Treasurer deposit details.

PUBLIC WORKS RESPONSE 11: Agree with recommendation. Public Works provides documentation required to generate an invoice to responsible parties. Please refer to the combined management response for item #12.

The CMR contract could be expanded to include other collision-related damages.

(K) As noted on page 4, certain infrastructure maintained by the City is susceptible to traffic collision damages (e.g., parking meters, Wi-Fi units, CCTV cameras, etc.).

- Since CMR already reviews OCPD collision reports for collision-related damages to infrastructure managed by PW Maintenance, adding these other assets to the scope of CMR's review could provide additional assurance they are completely identified for possible recovery.
- Although City-related trusts pursue their own third-party property damages, they may also benefit from a third-party search and recovery of collision-related damages (e.g., to bus benches or fire hydrants).

However, a formal CMR contract administrator and a communication liaison have not been clearly designated. The contract - initiated by Finance and OCPD – could be administered by:

- OCPD, who initiates and retains the collision reports, evidencing collision-related damages to City infrastructure,
- Risk Management, who oversees City property damage reporting and insurance recoveries or
- PW Maintenance, who primarily maintains and provides damage cost and referral information to CMR.

Expanding the CMR contract to include all City- and Trust-related infrastructure damaged in traffic collisions could enhance the completeness of damages identified for possible recovery.

RECOMMENDATION 12: OCPD, Finance and Public Works should work with the City Manager's Office to determine which department should be designated as CMR contract administrator. The designated CMR contract administrator should work with other City departments and trusts to determine whether other collision-related damages to City- and Trust-related infrastructure should be incorporated into the CMR contract.

COMBINED OCPD, FINANCE AND PUBLIC WORKS RESPONSE 12: *Agree with recommendation. Discussion between the involved departments, the City Manager's Office, and the Municipal Counselor's Office regarding the management of the CMR contract has been held. All parties have agreed that the CMR contract may not be as effective as initially anticipated. The contract expired on April 30, 2013, and there is not a current plan to renew it. Claims will now be handled in the Municipal Counselor's Office, as they had been prior to the CMR contract.*

RECOMMENDATION 13: PW Maintenance should be designated as CMR communication liaison. As communication liaison, PW Maintenance should coordinate additional damage referrals resulting from RECOMMENDATION 12 and should include these referrals in periodic performance evaluations and reviews described in RECOMMENDATION 11.

PUBLIC WORKS RESPONSE 13: *Recommendation no longer needed. With the expiration of the CMR contract, staff will coordinate information through the Municipal Counselor's Office, which will handle claims in the future.*

AUTOMATED DAMAGE RECOVERY RECOMMENDATION

Development of a comprehensive, automated damage reporting form and recovery database could facilitate implementation of several process improvements identified in the previous sections of this report.

RECOMMENDATION 14: To streamline identification and recovery of third-party damages, MCO, PW Maintenance, and Risk Management should consider working together with the Information Technology (IT) Department to develop an online property damage and injury subrogation form, which automatically populates a damage recovery database[5]. At a minimum, the form and/or database should:

RECOMMENDATION:	1	2	3	4	5	10	11	13
• Be accessible to all departments responsible for reporting damages and to all individuals responsible for referring injuries with a potential for worker's compensation or health insurance subrogation.	✓							
• Be accompanied by a clear policy encouraging referral of all property damages and injuries for assessment and collection of recoverable costs.	✓							
• Enable complete, automated logging of relevant property damage and injury information in a secure, centrally located database.	✓		✓				✓	✓
• Enable immediate and automated routing to those needing the submitted information for recovery and other purposes.[6]		✓					✓	✓
• Enable access by those responsible for updating and verifying completeness of recorded damages and costs identified, pursued, collected and deposited.	✓	✓	✓	✓	✓		✓	✓
• Enable periodic reporting to help ensure (a) timely follow up of outstanding referrals and (b) completeness and accuracy of referrals and collections.			✓	✓	✓		✓	✓

MCO RESPONSE 14: Agreed. The Municipal Counselor's Office welcomes a collaborative effort with all of the involved Departments to develop new online forms and databases to fulfill the above recommendations.

COMBINED FINANCE AND PUBLIC WORKS RESPONSE 14: Agree with recommendation. The Risk Management Division will work with the Municipal Counselor's Office, the Public Works Department and the IT Department to develop an online property damage and injury submission form, which automatically populates a damage recovery database, and addresses the features recommended in the audit.

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[5] For example, SharePoint or some other IT-developed application could be used to enable online departmental reporting and automated population of an associated database.

[6] Risk Management, MCO, and Fleet Services currently receive one or more existing manual forms used to document damages, initiate repairs and recoveries, improve safety, etc. An automated form and database could allow them and others (i.e., PW Maintenance and CMR representatives) to receive necessary referral information. See RECOMMENDATION 11.

CITY OF OKLAHOMA CITY
OFFICE OF
THE MUNICIPAL COUNSELOR

TO: **Jim Williamson**
               City Auditor

               Brett Rangel
               Audit Manager

FROM: **Kenneth Jordan**
               Municipal Counselor

               Cindy L. Richard
               Deputy Municipal Counselor

               Wiley Williams
               Deputy Municipal Counselor

DATE: **February 21, 2013**

RE: **Responses of the Municipal Counselor's Office to Certain Recommendations in the Damage Recoveries Audit**

Below are the responses of this Office to Recommendations 1, 2, 3, 4, 6 and 14 of the Damage Recoveries Audit, which are relevant to the duties of this Office. Brett Rangel has requested that we provide a projected completion date in regard to our responses. It is our intention to immediately put in place the segregation of payment receipt/delivery responsibilities and a logging system (Response 4). Staff will be meeting on that matter next week. Also, a notice will be drafted and emailed to Department Heads within the next few weeks regarding the importance of reporting property damage and injuries (Response 1). All other recommendations necessarily involve the participation of one or several City Manager Departments. Even the drafting of policies must wait until we know the technology program to be used and the level of participation from each Department that will be necessary regarding such technology. We will certainly participate with the involved City Departments in efficiently and effectively making the systemic enhancements agreed to in our responses.

RECOMMENDATION 1: Risk Management and MCO should revise damage reporting forms and related policies, instructions, and training agendas to convey the purpose and importance of referrals and encourage the submission of all property damages and injuries to MCO for assessment and collection of recoverable costs.

MCO RESPONSE 1: Agreed. The Municipal Counselor's Office agrees to work with Risk Management to revise damage reporting forms to advise departments that these forms should be forwarded directly and immediately to the Municipal Counselor's Office. The Municipal Counselor's Office also agrees to remind department heads that collection services are available and to explain the benefit to the City of pursuing property damage collections.

RECOMMENDATION 2: MCO should develop (a) procedures for monitoring and formally communicating the status and release of MCO holds and (b) formal guidance to fleet managers minimally addressing:
- The purpose of holding vehicles.
- Criteria for determining when to hold and release a vehicle.
- Appropriate alternatives to holding a vehicle (e.g., digital photos).
- Appropriate channels of communication and approval prior to releasing vehicles.

MCO RESPONSE 2: Agreed. The Municipal Counselor's Office agrees to develop a formalized procedure for monitoring the status of said "holds" and provide guidance which will address their purpose, criteria, appropriate alternatives, and release.

RECOMMENDATION 3: MCO should record the receipt of **all** departmental referrals in a central log and/or database designed with adequate data fields and reporting capabilities to facilitate:
- Periodic reconciliations of recorded collections to City Treasurer deposits.
- Timely monitoring and follow up of outstanding cases, including communication of legal hold statuses and releases. Also, see RECOMMENDATION 2.

MCO RESPONSE 3: Agreed. The Municipal Counselor's Office agrees to work with the IT department to develop a new computer system for logging all damage referrals in one place, with all appropriate data fields, alerts and monitoring capabilities.

RECOMMENDATION 4: To segregate payment handling and record-keeping responsibilities, MCO should develop procedures to have all third-party recovery and subrogation payments deposited directly with the City Treasurer. In the event third parties send payments to MCO, the MCO mail clerk should record all such payments in a secured log (periodically reviewed by MCO collections staff with read-only access) and forward the payments to the City Treasurer.

MCO RESPONSE 4: Agreed with modification. The Municipal Counselor's Office agrees to develop procedures wherein a Municipal Counselor's Office employee or employees that have read-only access to the collections database will receive and record payments received by the MCO in a secured log before delivering the payments to the City Treasurer. Collections staff will have no ability to alter the secured log of payments, so no person who handles money will be maintaining the collections database.

Not all payments sent to the City are adequate settlements of the City's claims for various reasons; therefore, the Municipal Counselor's Office must examine and approve each payment before it is deposited. The Municipal Counselor's Office will deliver payments to the Treasurer immediately, but regarding any payment for which verification will be delayed, the payment delivery will also contain a request that the Treasurer secure such payment on site to allow collections staff the necessary time to verify and approve the payments. Because the collections staff must examine and approve all payments before they are deposited, the MCO believes it is not advisable for third parties to deliver payments directly to the City Treasurer, even if the Treasurer's staff has access to the collection database.

This Office has contacted Dana Bayless, Unit Operations Leader of Treasury Operations. She has stated that the City Treasurer's Office will be able to securely hold checks that are noted to be held for verification by the Municipal Counselor's Office, until this Office notifies the City Treasurer to proceed with the deposit. This Office will develop and implement procedures to track such "holds" and to ensure efficient and routine monitoring of such "holds" so that deposits of payments are not unreasonably delayed.

RECOMMENDATION 6: To help ensure the continuity and integrity of MCO collection practices, MCO should expand existing collections policies to address complete logging and periodic reconciling of all collection types (RECOMMENDATION 3) and appropriate segregation of payment handing responsibilities (RECOMMENDATION 4).

MCO RESPONSE 6: Agreed. The Municipal Counselor's Office agrees to update its existing collections policies to address complete logging, periodic reconciling of all collection types, and segregation of payment handling.

RECOMMENDATION 14: To streamline identification and recovery of third-party damages, MCO, PW Maintenance, and Risk Management should consider working together with the Information Technology (IT) Department to develop an online property damage and injury subrogation form, which automatically populates a damage recovery database. At a minimum, the form and/or database should:
- Be accessible to all departments responsible for reporting damages and to all individuals responsible for referring injuries with a potential for worker's compensation or health insurance subrogation.
- Be accompanied by a clear policy encouraging referral of all property damages and injuries for assessment and collection of recoverable costs.
- Enable complete, automated logging of relevant property damage and injury information in a secure, centrally located database.
- Enable immediate and automated routing to those needing the submitted information for recovery and other purposes.
- Enable access by those responsible for updating and verifying completeness of recorded damages and costs identified, pursued, collected and deposited.
- Enable periodic reporting to help ensure (a) timely follow up of outstanding referrals and (b) completeness and accuracy of referrals and collection

MCO RESPONSE 14: Agreed. The Municipal Counselor's Office welcomes a collaborative effort with all of the involved Departments to develop new online forms and databases to fulfill the above recommendations.

pc: Jane Abraham, Community and Government Affairs Manager
Richard C. Smith, Litigation Division Head
Tina Hughes, Litigation Assistant Division Head
Matt Collins, Assistant Municipal Counselor
Laura Calvery, Assistant Municipal Counselor
Christy Payne, Legal Secretary II

MEMORANDUM

The City of
OKLAHOMA CITY

TO: Jim Williamson, City Auditor

FROM: James D. Couch, City Manager

DATE: June 27, 2013

SUBJECT: Audit #12-08 Identification and Recovery of Third Party Damages

The following is a combined response from the departments that are under the direction of the City Manager's Office.

1. **FINANCE RESPONSE: Agree with recommendation.** The Risk Management Division will work with the Municipal Counselor's Office to revise damage reporting forms and related policies, instructions, and training agendas to convey the purpose and importance of referrals and encourage the submission of all property damages and injuries to the Municipal Counselor's Office for assessment and collection of recoverable costs.

2. **Response from Municipal Counselor's Office on a separate memo**

3. **Response from Municipal Counselor's Office on a separate memo**

4. **FINANCE RESPONSE: Agree with recommendation.** The City Treasurer will work with the Municipal Counselor's Office to accommodate payments being mailed directly to the City Treasurer's Office. Any information or documents included with these payments will be immediately forwarded to the Municipal Counselor's Office for entry to the Tracking Log. The City Treasurer will pursue efforts to establish a database to communicate this information electronically.

5. **FINANCE RESPONSE: Agree with recommendation.** The Risk Management Division will implement a process to periodically compare worker's compensation records on cases referred to the Municipal Counselor's Office for potential recoverable costs to:
   - MCO's records on recoveries, and
   - The City Treasurer's records to ensure the accuracy of collections information in the worker's compensation database.

6. **Response from Municipal Counselor's Office on a separate memo**

7. **POLICE RESPONSE: Agree with recommendation.** The Police Department's 3rd phase In-Service training begins in September 2013. Officers will receive training on how proper accident investigation and reporting relates to the City's process for recovering damage to its property.

8. **PUBLIC WORKS RESPONSE: Agree with recommendation.** In order to maximize recovery of repair costs, Public Works requires the timely receipts of repair invoices from OG&E, and the timely and comprehensive receipt of accident reports from the Oklahoma City Police Department, various County Sheriff Offices, and the Oklahoma Highway Patrol.

9. **PUBLIC WORKS RESPONSE: Agree with recommendation.** At one time actual costs were billed for all sign damages. Currently, a set cost structure is being utilized and after visiting with staff, we were not able to determine why a change was made to the billing procedure. Billing of actual costs is possible through the Cityworks work-order system will be implemented by July 1, 2013.

10. **PUBLIC WORKS RESPONSE: Agree with recommendation.** The Public Works Department will include overhead and benefit costs in all future billing information.

11. **PUBLIC WORKS RESPONSE: Agree with recommendation.** Public Works provides documentation required to generate an invoice to responsible parties. Please refer to the combined management response for item #12.

12. **COMBINED MANAGEMENT RESPONSE: Agree with recommendation.** Discussion between the involved departments, the City Manager's Office, and the Municipal Counselor's Office regarding the management of the CMR contract has been held. All parties have agreed that the CMR contract may not be as effective as initially anticipated. The contract expired on April 30, 2013, and there is not a current plan to renew it. Claims will now be handled in the Municipal Counselor's Office, as they had been prior to the CMR contract.

13. **COMBINED MANAGEMENT RESPONSE: Recommendation no longer needed.** With the expiration of the CMR contract, staff will coordinate information through the Municipal Counselor's Office, which will handle claims in the future.

14. **COMBINED MANAGEMENT RESPONSE: Agree with recommendation.** The Risk Management Division will work with the Municipal Counselor's Office, the Public Works Department and the IT Department to develop an online property damage and injury submission form, which automatically populates a damage recovery database, and addresses the features recommended in the audit.