



OFFICE OF THE CITY AUDITOR

TO: Mayor and Council Members
THRU: Margaret Krym, City Auditor
FROM: Kathy Magaw, Assistant City Auditor
DATE: October 25, 2011
SUBJECT: Passport Sales Audit

Attached you will find our report for the Passport Sales Audit.

We would like to thank Rebecca van Deutekom, City Clerk and Lynne Jennings, Records Manager for their cooperation and assistance during this audit. They generously gave their time to assist us in accumulating the needed data.

We are available to respond to any questions or concerns you may have about the information contained in this report.

C: Gary R. King, City Manager
Dolores Menendez, City Attorney
Rebecca van Deutekom, City Clerk
Lynne Jennings, Records Manager
Audit Committee



CITY AUDITOR'S OFFICE

Passport Sales Audit

October 25, 2011

The Passport Sales Audit was identified in the Citywide risk assessment performed during the summer of 2010, and was included in the 2011 approved Audit Plan. The Passport Sales program and the related processes and controls are new within the City of Cape Coral.

This audit was conducted as a performance audit. Performance audits are defined as engagements that provide assurance or conclusions based on an evaluation of evidence against stated criteria. Performance audits provide objective analysis so that Management and those charged with governance and oversight can use the information to improve program performance and operation, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

This performance audit was conducted in accordance with generally accepted government auditing standards. These 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.

BACKGROUND

The City of Cape Coral City Clerk's Office became an authorized Passport Acceptance Facility for the Passport Services within the United States Department of State (DOS) in September 2010. The Lee County Office in Cape Coral had shut down due to down-sizing. The City Clerk's Office explored the opportunity to become a Passport Facility for the citizens of Cape Coral, rather than requiring the citizens to commute to Ft. Myers. The City Clerk's Office considered it as an opportunity for additional revenues coming into Cape Coral.

As a Passport Facility, the City Clerk's Office accepts passport applications and ensures all materials needed to process the application are correctly submitted to their designated Regional Passport Agency. The City Clerk's employees that process passports must meet specific requirements and receive training to become approved Passport Acceptance Agents. The Passport's Agent's Referral Guide (PARG) and other resources provide information and instruction on how to accomplish the most important and most common tasks required of a Passport Agent.

The City Clerk's Office currently has 8 (eight) employees that qualify as Passport Acceptance Agents. These employees perform the following duties when processing a passport application:

- Verify that the photographs are a true likeness of the applicant
- Screen evidence of U.S. citizenship
- Record on the application the identification documentation presented
- Review the application to verify that all required information has been provided
- Collect and forward the required passport fees
- Witness that the applicant takes the oath and signs the application

- Sign their name and affix the office's authorized seal or stamp to the application
- Ensure all documents are handled and stored securely and that the applicant's personally identifiable information is protected
- Mail passport applications to Passport Services' appropriate address using traceable mail

The City Clerk's Office receives a \$25 execution fee for each passport application processed. In addition, the City Clerk's Office provides passport photos for \$10 each. The City also receives payment for overnight postage fees if this service is requested by the customer. All other fees from the applicant are sent along with the passport applications to the designated Regional Passport Agency for processing.

During September 1, 2010 through July 31, 2011, the City Clerk's Office processed 2,958 passport applications and has taken 124 passport photos.

SCOPE and OBJECTIVES

The scope of this audit was limited to the operations of the Passport Services function of the City Clerk's Office. At the time of our audit field work this program was not quite a year old and the annual renewal had not expired.

Subsequent to our fieldwork, the City Clerk's Office was reviewed by the DOS and did receive their recertification. The DOS will review the City Clerk's Office for compliance to its standards on an annual basis therefore we excluded compliance to their standards during our engagement. However, we did review the department's planning and preparation efforts to ensure that they will achieve their recertification.

The objectives of this audit were to provide assurance that:

- The staff performing this function are qualified, adequately prepared, and trained to do this complex job
- The Program is profitable
- Payment receipts and US Department applications and supporting documents are adequately safeguarded

Our audit methodology included:

- Researching and review of the Passport's Agent's Referral Guide (PARG),
- Interviews of City personnel,
- Observations of work processes, and
- Analysis of available data.

Staff performing this function are qualified, adequately prepared, and trained to do this complex job.

The City Clerk's Office is appropriately fulfilling its responsibilities as an Acceptance Agent Facility in accordance with the general guidelines provided by the DOS.

During this audit engagement we noted two conditions that could be improved.

The job responsibilities of the Passport Acceptance Agents should be included in the City of Cape Coral's job descriptions. With the shifting of job responsibilities related to reorganizations, downsizing, and/or process improvements, and adding/deleting new programs, it is important to ensure that all employees who are assigned new job responsibilities have their job description updated.

We found that four (4) of the positions do not have the job responsibilities for the Passport Acceptance Agents included in their City of Cape Coral's job description. We brought this to the attention of the Records Manager in the City Clerk's Office during our fieldwork and the Records Manager immediately began implementing the improvement as recommended.

We recommend that the City of Cape Coral job descriptions be updated to include the new responsibilities of Passport Acceptance Agents.

Management Response #1:

1 of the four has been done – Research Specialist. The other three – Assistant City Clerk/Customer Service Manager, Administrative Specialist II and Records Manager positions are currently being updated by HR.

During the preliminary background work, we learned that the City Clerk's Office no longer has a "cash drawer" assigned to them. The Passport Sales payments the City Clerk's Office receives from customers are checks or cashier's checks. The City Clerk's Office felt it was not necessary to have the Cash Handling Training that is conducted by the Financial Services Cashier Supervisor because "cash" was not being accepted.

We recommend that any staff that accepts negotiable instruments for the City should attend the Citywide Cash Handling Training provided by Financial Services Department. The City Clerk's Office has contacted the Financial Services Cashier Supervisor for this training to be conducted for the Passport Agents.

Management Response #2:

1 Staff member has taken the course. Will coordinate with Cashier Supervisor to have the rest of the passport agents attend it.

The US Department of State PARG states that Passport Acceptance Agents should have no current criminal history but gives no direction on how this should be verified or monitored.

The City conducts criminal background checks on all City employees when they are initially hired. The City Clerk's Office did not request that the Human Resources Department conduct a current criminal history on the existing employees that were performing the duties as the Passport Acceptance Agents because the staff had been working in the City Clerk's Office for numerous years and the checks had been done at the time of hire.

During this audit engagement, the City Clerk's Office had not established how it intended to monitor compliance of the Passport Acceptance Agents with the "no current criminal history" requirement.

We recommend that a periodic update to the criminal background checks of these employees could be a method to ensure compliance with the Department of State requirement.

Management Response #3:

Background checks will be done simultaneously with the yearly re-certification that is required by the DOS.

Program is Profitable

During our background work, we found abundant information regarding Passport Services on the City's website. Also, one of the E-Newsletters provided by the City Clerk's Office announced that the many applications being processed bring in revenue for the City. The City Clerk's Office **is commended** for a job well done for getting the word out to the citizens of Cape Coral requiring Passport Services.

We performed an analysis of the estimated revenues for the Passport Sales and photos for 12 months annualized. We also reviewed the related cost of salaries of the employees performing the duties of Passport Acceptance Agents and additional costs directly related to Passport Sales. Based on our analysis we can confirm that the Passport Sales program is a profitable operation.

Payment receipts and US Department applications and supporting documents are adequately safeguarded

We performed some sample testing of the daily transmittal sheets for the period January 1-31, 2011. These daily transmittal sheets are provided by the DOS for the Passport Facility to log all the daily applications the City Clerk's Office have processed for a particular day. This form, the payments made by customers, the passport

applications, along with all other documents are required to be mailed daily via traceable mail to the U.S. Department of State, Passport Services.

We wanted to ascertain that the daily transmittals sheets reconciled to some population control and that the supporting documents were adequately safeguarded. All transactions we observed were in compliance with the requirements for the record keeping and safeguarding of documents.

We commend the City Clerk's staff. We found that all transmittals examined during the testing period had a deposit and reconciliation verification of dual control; all deposits were documented by a supervisor/manager approval; and all deposits were prepared on a daily basis.

Best practice indicates that a population control is a good internal control. With a population control you are provided assurance that all documents have been captured and all are accounted for and that none are missing. The DOS provides daily transmittals that the City Clerk's Office uses. Our testing results confirmed that a transmittal sheet was used for every day during our test period, therefore all were accounted for. However, should there be a day when there are no transmittals, **we recommend** Management write "*no daily transmittals*" on this form and retain it as documentation of the days lack of activity.

Management Response #4:

A transmittal to indicate "No daily Transmittals" will be created if ever there is a day where no passport transactions are recorded.

On July 7, 2011 Acceptance Oversight from the US Department of State, Passport Services conducted a site visit and observed the City's operations for compliance to their standards and requirements. We have relied on their observations so as not to duplicate their efforts.

The main concerns that the DOS report indicated were the storage of executed applications; transmittal storage and accessibility of locking storage units.

In the DOS report it indicated that the agents placed executed applications on a shelf area in the vault. The door to the vault area remains open during the day. This meant that the trained and designated acceptance agents, the facility manager and passport program contact were not the only employees with access to the documents. The City Clerk's Office immediately removed the applications from the vault and placed them in a locked drawer/filing cabinet. We evidenced that the non-compliance items had corrective action taken immediately and that the City Clerk's Office agreed to comply with the DOS's recommendations. The passport documents are being stored in another area for security.

The vault/safe does not contain money. The vault/safe stores records and documents and the Customer Service Representatives (and staff) require access to perform their job tasks.