

CITY AUDITOR'S OFFICE



AUDIT OF CITY CLERK'S OFFICE – PASSPORT SERVICES

Report No. CAO 0221-1011-05

December 1, 2010

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CITY AUDITOR

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**AUDIT OF CITY CLERK'S OFFICE –
PASSPORT SERVICES
CAO 0221-1011-05**

BACKGROUND

In May 2008, the City Clerk's Office of the City of Las Vegas became an authorized Passport Acceptance Facility for the Passport Services division of the Bureau of Consular Affairs within the United States Department of State. As a Passport Acceptance Facility, the City Clerk's Office accepts passport applications and ensures all materials needed to process the application are correctly submitted. City Clerk Office employees that process passports must meet specific requirements and receive training to become approved Passport Acceptance Agents. The City Clerk's Office currently has 12 employees that qualify as Passport Acceptance Agents. These employees perform the following duties when processing a passport application:

- Verifies that submitted photographs are a true likeness of the applicant
- Screens evidence of U.S. citizenship
- Records on the application the identification documentation presented
- Reviews the application to verify that all required information has been provided
- Collects and forwards the required passport fees
- Administers oath and witnesses applicant signing the application
- Signs and affixes the office's authorized seal or stamp to the application
- Ensures that all documents are handled and stored securely and that the applicant's personally identifiable information is protected
- Mail passport applications to a Passport Agency

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 customers are sent along with the passport applications to one of two Passport Issuance Agencies for processing. Routine applications are sent to Los Angeles, California while expedited applications are sent to Philadelphia, Pennsylvania for processing.

During the fiscal year ended June 30, 2010, the City Clerk's Office processed 651 passport applications.

OBJECTIVES

The audit objectives were to:

- Determine whether payments made to the City Clerk's Office for processing passport applications (execution fees, passport photos, overnight mailing fees) are being properly receipted and recorded in accordance with City policies and procedures.
- Determine whether the City Clerk is appropriately fulfilling its responsibilities as an Acceptance Agent Facility in accordance with the general guidelines provided by the Department of State.

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- Determine whether the City Clerk's performance measurements related to passport services are appropriate and accurate.

SCOPE AND METHODOLOGY

The scope of this audit was limited to the operations of the Passport Services function of the City Clerk's Office. Detail testing of payment transaction records was limited to transactions during January through June 2010. Our procedures did not include detail testing of the City Clerk Office's compliance with the application processing requirements contained within the U.S. Department of State Passport Acceptance Agent Guide (PARG). Any problems with processing individual passport applications in accordance with the PARG are communicated by the Department of State to the City Clerk's Office.

The last fieldwork date of this audit was September 22, 2010. The scope of our work on internal control was limited to the controls within the context of the audit objectives and the scope of the audit.

Our audit methodology included:

- Research of applicable policies and procedures,
- Interviews of city personnel,
- Observations of work processes, and
- Analysis of available data.

We conducted this performance audit in accordance with generally accepted government auditing standards except for the requirement for an external peer review every three years. 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.

The exception to full compliance is because the City Auditor's Office has not yet undergone an external peer review. However, this exception has no affect on the audit or the assurances provided.

CONCLUSIONS, FINDINGS, AND RECOMMENDATIONS

The following conclusions were noted:

Determine whether payments made to the City Clerk's Office for processing passport applications (execution fees, passport photos, overnight mailing fees) are being properly receipted and recorded in accordance with City policies and procedures.

The City Clerk's Office is appropriately processing and recording the passport application fees it receives in accordance with City policies and procedures. An improvement is needed in the use of a comment field by the Passport Acceptance Agents to facilitate the reconciliation of passport applications processed to payments received. (Recommendation 1.1)

Determine whether the City Clerk's Office is appropriately fulfilling its responsibilities as an Acceptance Agent Facility in accordance with the general guidelines provided by the Department of State.

The City Clerk's Office is appropriately fulfilling its responsibilities as an Acceptance Agent Facility in accordance with the general guidelines provided by the State Department. This audit provides recommendations for several improvements in this area as follows:

- The City Clerk's Office needs to evaluate how to ensure its Acceptance Agents continue to comply with the "no criminal history" requirement. (Recommendation 2.1)
- The City Clerk's Office needs to retain documentation showing that its Acceptance Agents have complied with the U.S. Department of State training requirements (e.g., certificates of attendance, class sign-in sheets). (Recommendation 2.2)
- The City Clerk's Office needs to begin filing annual re-certifications of its compliance with the Passport Acceptance Program. (Recommendation 3.1)

Determine whether the City Clerk's performance measurements related to passport services are appropriate and accurate.

The performance measurements related to passport services are appropriate and accurate based on available data.

Further information is contained in the sections below.

1. Use of Comment Field in Cash Receipting System

Criteria

Payment transaction records should provide sufficient information to facilitate reconciliation of transactions to supporting documentation.

Condition

Passport Acceptance Agents process payment transactions using a cash receipting system known as Atlas. When processing passport applications, the Agents process payments for passport execution fees, overnight postage fees, and photo fees. In conjunction with entering the payment information into Atlas, staff members input the customer name and comments explaining the nature of the transaction. While the comment field is a useful data field, the comments being placed therein lack uniformity and sometimes lack adequate information to facilitate the reconciliation of the fees received to the passport applications processed. For example, the “customer” (person paying the fees) is not always the same as the passport applicant. In cases such as this, the only informational link between the payment entered into Atlas and the passport applicant is found when a staff member notes the applicant name(s) in the comment field.

Cause

- Lack of uniformity in use of comment field within Atlas system.
- Lack of consistent documentation of names of passport applicants when they are different than that of the person paying the fees (customer).

Effect

- Challenges in reconciling payments received to passport applications processed.
- Lack of clear “audit trail” between Atlas system and passport transmittal summaries.

Recommendation

- 1.1 City Clerk's Office management should create and document a uniform methodology for entering information within the comment field within the Atlas System and require that the names of the applicants be placed in this field when the customer making payment is different than the passport applicant(s). Management should consider using uniform coding rather than free form verbiage to describe the nature of the transaction.

2. Compliance with Passport Acceptance Agent Requirements

Criteria

According to the U.S. Department of State Passport Acceptance Agent Guide, Acceptance Agents must not have any current criminal history as defined below:

- *Not presently on parole or probation related to any Federal or State convictions*
- *Free of any Federal or state convictions*
- *Free of any Federal or State felony conviction related to breach of trust or moral turpitude (i.e. embezzlement, document fraud, drug offense, or dishonesty carrying out a responsibility involving public trust)*

City Policy HR 3.17.01 states the following:

City of Las Vegas employees are required to notify their Department Director, or designee, of any arrests and convictions within 48 hours of such arrest and/or conviction. The Human Resources Department will determine if there is a relationship between the arrest and/or conviction and the job which the employee performs, and if that relationship warrants any action. The Human Resources Department will evaluate each case on an individual basis and take the appropriate action.

The U.S. Department of State Certification of Program Compliance Form #3A states the following:

All new Acceptance Agents are required to successfully complete the web-based agent training (WBT) before they begin to accept passport applications. (The WBT may also be used as a refresher training for experienced acceptance agents.) In addition to the WBT, all acceptance agents must be familiar with policies and procedures as stated and illustrated in the current version of the Passport Agent's Reference Guide (PARG), newsletters, and notices before accepting applications and must stay current with changes in requirements, forms, procedures, and fees.

Condition

Compliance with No Current Criminal History Requirement

The U.S. Department of State Passport Acceptance Agent Guide 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. In 2007, the City Clerk's Office updated the background checks of some of its employees who would be acting as Acceptance Agents prior to becoming a Passport Acceptance Facility.

The following information was gathered on the dates of the most recent background checks of all current Acceptance Agents of the City Clerk's Office:

| <u>Year of Last Criminal Background Check</u> | <u># of Acceptance Agents</u> |
|---|-------------------------------|
| 2004 | 2 |
| 2005 | 1 |
| 2007 | 7 |
| 2008 | 1 |
| 2009 | 1 |

The City Clerk's Office has not established how it intends to monitor the compliance of the Acceptance Agents with the "no current criminal history" requirement. Management must currently rely on these employees to follow the City policy requiring them to report any arrests and convictions to management within 48 hours of such arrest and/or conviction. Periodic updates to the criminal background checks of these employees could be a method to ensure compliance with this Department of State requirement.

Training Requirement

In accordance with the U.S. Department of State requirements, the City Clerk's Office does not allow its employees to process passports prior to completing Acceptance Agent training. However, documentation showing each employee's compliance with the training requirements (e.g., certificates of attendance, class sign-in sheets) is not retained by the City Clerk's Office.

Cause

- Lack of established procedures for verifying continued compliance by its Passport Acceptance Agents with the "no criminal history" requirement.
- Lack of formal process for retaining documentation showing employee compliance with Acceptance Agent training requirements.

Effect

- Risk of non-compliance with Passport Acceptance Agent requirements.
- Documentation showing employee compliance with Acceptance Agent training requirements is not readily available.

Recommendations

- 2.1 The City Clerk's Office should evaluate how to ensure all Passport Acceptance Agents remain in compliance with the "no current criminal history" requirement. Consideration

should be given to periodically updating the criminal background checks of these staff members considering their additional responsibilities to the U.S. Department of State.

- 2.2 The City Clerk's Office should retain documentation showing that its Acceptance Agents have complied with the U.S. Department of State training requirements (e.g., certificates of attendance, class sign-in sheets).

3. Compliance with Annual Certification Requirement

Criteria

The U.S. Department of State Passport Acceptance Agent Guide states the following:

Re-certifications

All Acceptance Facilities are required to submit an annual Certification of Program Compliance, signed by the Program Manager. The certification reviews the responsibilities of Facility Managers/Agents and by signing the certification, Facility Managers are re-committing to fulfilling the responsibilities. Additional submission of your facility's Certification of Program Compliance may be requested by your Regional Passport Agency at any time.

NOTE Please keep these records updated and have them readily available if necessary.

Condition

The U.S. Department of State requires that all acceptance agencies annually recertify their compliance with the Passport Acceptance program. While the City Clerk's Office filed an initial certification of their compliance with the program in January 2008, no re-certification filings have been submitted.

Cause

- Lack of clear direction on this requirement from regional Passport Agency representatives.

Effect

- Lack of compliance with re-certification filing requirement.

Recommendation

- 3.1 The City Clerk's Office should begin filing Passport Acceptance program compliance re-certification forms in accordance with the guidelines within the U.S. Department of State Passport Acceptance Agent Guide.

MANAGEMENT RESPONSES

1. Use of Comment Field in Cash Receipting System

Recommendation 1.1

City Clerk's Office management should create and document a uniform methodology for entering information within the comment field within the Atlas System and require that the names of the applicants be placed in this field when the customer making payment is different than the passport applicant(s). Management should consider using uniform coding rather than free form verbiage to describe the nature of the transaction.

Management Action Plan: Prior to receiving this recommendation through the Audit process, our department had already determined the comment field needed to be used more consistently to facilitate the internal daily audit, which is done to compare revenue collected to transactions listed on the passport transmittals. Although we do not use a "coding" method, cashiers were advised to list the names and purchased items in the comment field and there has been a marked improvement in regards to this recommendation. We feel no further action is required.

Estimated Date of Completion: Complete

2. Compliance with Passport Acceptance Agent Requirements

Recommendation 2.1

The City Clerk's Office should evaluate how to ensure all Passport Acceptance Agents remain in compliance with the "no current criminal history" requirement. Consideration should be given to periodically updating the criminal background checks of these staff members considering their additional responsibilities to the U.S. Department of State.

Management Action Plan: Management has researched this recommendation with both the City's Human Resources Department as well as our Customer Service Manager (CSM) at the Regional Passport Agency in Los Angeles. Human Resources estimated the expense for annual background checks at approximately \$900 based on the current number of agents; this will increase as more are trained. Our CSM in Los Angeles was made aware of the City's policy for employees to report arrests or convictions within 48 hours of the occurrence and is comfortable with our reliance on that policy.

Estimated Date of Completion: Not Applicable, no action to be taken.

Recommendation 2.2

The City Clerk's Office should retain documentation showing that its Acceptance Agents have complied with the U.S. Department of State training requirements (e.g., certificates of attendance, class sign-in sheets).

Management Action Plan: Management was initially unsure of how to satisfy this recommendation because we never directly received documentation from the Regional Office for us to retain. We were instructed by our CSM that the only documentation generated is a training certificate however, not all employees were issued a certificate. After informing our CSM of this, he did acknowledge that the agency is rather lax in this area but they are looking to improve in the future. We were instructed that certificates could be issued for employees who did not receive them and we are working with the L.A. Office to get those issued. Once received, we will then keep copies in our administrative Passport file.

Estimated Date of Completion: December 31, 2010

3. Compliance with Annual Certification Requirement

Recommendation 3.1

The City Clerk's Office should begin filing Passport Acceptance program compliance re-certification forms in accordance with the guidelines within the U.S. Department of State Passport Acceptance Agent Guide.

Management Action Plan: File the Annual Certification form.

Estimated Date of Completion: November 1, 2010