

Managerial Summary

A. Objectives, Scope, and Methodology

We have completed our review of the Chesapeake City Clerk's Office (Clerk's Office) Revenues for July 1, 2015 – June 30, 2016. Our review was conducted for the purpose of evaluating controls over the revenue collection process within the Clerk's Office and whether it was complying with applicable City and Clerk's Office procedures related to cash handling, cash settlement, segregation of duties, safeguarding of assets and passport issuance.

We conducted this performance 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 conclusion 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 Clerk's Office provided essential services for the City of Chesapeake (City). Its primary purpose was to document, preserve, and maintain historical records of the legislative actions taken by the Mayor and City Council. Additionally, the Clerk's Office provided staff support for the City Council and served as a United States Passport agency.

For Fiscal Year 2016-2017 (FY 16-17), the Clerk's Office had an operating budget of slightly under \$600,000.00 and accounted for 0.06% of the City's budget. The Office had an authorized compliment of 7.0 personnel. The personnel compliment accounted for slightly under 81.0% of budgetary requirements. The Clerk's Office received 86.43% (\$508,703.00) of its budget from the General Fund. The remaining 13.57% (\$79,900.00) came from charges for services such as passport issuance. The Clerk's Office was located on the sixth floor of the City Hall building

To conduct this audit, we reviewed various aspects of Clerk's Office functions. We reviewed passport issuance records and cash settlement records for the period of April thru June 2016. Procedures for receiving and recording of passport operations assets were reviewed. Compliance with City policies and applicable Federal regulations were verified.

Major Observations and Conclusions

Based on our review, we determined the Clerk's Office had accomplished its overall mission of providing a historical record of the governing body, including ordinances, resolutions, minutes of the council meetings, work sessions and special meetings, coordinating the responses to the concerns and needs of the citizens, and other City departments, providing staff support to the City Council, and serving as a passport agency. However, we did identify several revenue-related areas of concern that needed to be addressed. Those areas included the processing of passports, cash handling and reconciliations, internal control weaknesses, and physical security.

This report, in draft, was provided to the Clerk's Office for review and response. Their comments have been considered in the preparation of this report. These comments have been included in the Managerial Summary, the Audit Report, and Appendix A. The City Clerk's staff were very helpful throughout the course of this audit. We appreciated their courtesy and cooperation on this assignment.

B. Performance Information

The City Clerk's goal was to serve as the professional link between the citizens of Chesapeake, City Council, and City departments, work closely with City Council, and provided staff support to the Mayor and City Council. Another goal was to prepare, preserve, and maintain the permanent and historical records of the City as well as the legislative actions of the City Council in accordance with City policy and the Virginia Public Records Act. In furtherance of this goal, the Clerk's Office recorded and published City Council minutes and insured that the City Council decisions were recorded properly and archived. The Clerk's Office also served as a conduit for information by handling inquiries from citizens and other City departments, assisted the City Council with correspondence, managed the appointments to the City's Authorities, Boards, and Commissions, and handled research requests.

C. Handling of Passport Applications and Review of Internal Controls

While the primary activities of the Clerk's Office were generally being handled in a satisfactory manner, we noted that there were several passport revenue-related areas where performance could be enhanced. These areas included the processing of passports, cash handling and reconciliations, internal controls, and physical security

1. Passport Issuance Process Controls

Finding – The Clerk’s Office did not have documented procedures that addressed the passport issuance process. The number of issued passports indicated on Passport Transmittal Forms were not reconciled to the total dollar amount of application fees processed to the general ledger. Internal controls related to cash handling, settlement, segregation of duties, and safeguards over assets for the passport issuance process were not in place. In addition, there was limited oversight and monitoring of the passport issuance operation.

Recommendation – The Clerk’s Office should enhance and document their cash handling, cash settlement and passport issuance policies and procedures so that cash is adequately safeguarded. Passport application fees should be reconciled to the general ledger on a periodic basis. Also, employees should not be not allowed to handle a transaction from beginning to end. In addition, the Clerk’s Office should develop an ongoing oversight and monitoring process to ensure adherence to cash settlement, cash handling, passport issuance processes, and safeguarding of assets procedures.

Response - With the guidance of Audit Services, we have implemented an ongoing monitoring process to ensure adherence to cash settlement, cash handling, passport issuance processes and safeguarding all assets and procedures s so that cash is adequately safeguarded at all times. Passport application fees are reconciled to the general ledger on a daily basis. I am certain that we are operating at a much more accountable and improved process and appreciate the help of Audit Services. (Note: the full text of the City Clerk’s response is included in the audit report .