



Fairfax County Internal Audit Office

Department of Finance
Lockbox Collection Audit
Final Report

September 2011

"promoting efficient & effective local government"

Executive Summary

Fairfax County has a contractual agreement with the Bank of America (BOA) to collect a variety of payments for county departments, including the Department of Tax Administration (DTA), Department of Family Services, and Fairfax County Fire and Rescue Department. BOA provides services to establish post office boxes to receive payments made to each program, process the documents, deposit the payments, and then forward the documents and data to the county.

BOA has two subcontractors who provide the lockbox collection services. The Regulus Group, LLC collects payments for real estate taxes, personal property taxes and business, professional and occupational licenses (BPOL); and Direct Mail Processors, Inc. (DMP) collects payments for dog tags fees, emergency medical services (EMS) transport fees and fees for School Age Child Care (SACC).

In our audit we reviewed the lockbox contract with BOA, obtained an understanding of the county departments using the lockbox collection services, and evaluated the internal controls over lockbox collection operations. Our audit found that detail requirements for the lockbox collections services were listed on the contract, including an audit clause and SAS 70 condition. Both Regulus and DMP established and placed reasonable internal controls over the lockbox collection operations. All the departments using the lockbox collection services established controls to ensure payments were posted in county systems completely, deposited into county bank accounts timely, and recorded in FAMIS accurately.

Scope and Objectives

This audit was performed as part of our fiscal year 2011 Annual Audit Plan and was conducted 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. Our objectives were to determine the adequacy of the controls included in the county's current lockbox collection contract and county's policies and procedures for monitoring lockbox bank operations.

Methodology

Our audit approach included a review of the contractual agreement with BOA, and the most recent SAS 70 reports for Regulus and DMP. Additionally, we performed a walkthrough at the DMP facility to observe the lockbox collection process and control environment. Finally, we interviewed appropriate employees to understand each department's procedures for using lockbox services.

Our audit did not examine the system controls over the subsystems each department was using for processing lockbox payments. In addition, our audit did not perform

transaction and sample tests to determine if internal controls were implemented by the departments as they described.

Observation

We noted a possible opportunity to improve processing efficiency for payments posting. Dog License Renewal Applications are mailed out each year in early November. The DTA manually inputs all the dog license payments collected through lockbox collection services to the Integrated Assessment System (IAS), which stores dog license program information. There were approximately 13,842 payment transactions processed by the lockbox collection services from January 2011 through June 2011. DMP has the capability to send the county an electronic payment file that allows DTA to post the payments to IAS automatically. This would greatly improve efficiency of the process and reduce the staffing resources needed. In addition, the risks for mistakes are higher while payments are posted manually to the system. DOF should work with DTA to look into the possibility of receiving an electronic payment file from DMP to allow DTA to automatically post the payments into IAS. This research should include performing a cost/benefit analysis to determine the feasibility.