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Audit Report

**ADMINISTRATIVE  
SERVICES DIVISION -  
POSTAGE ACCOUNT**

As of October 2014

**Office of the Controller  
County of Northampton  
Pennsylvania**



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March 18, 2015

Members of the Northampton County Council  
John A. Brown, County Executive  
County of Northampton, Pennsylvania

We have completed an audit of the Administrative Services Division – Postage Account as of October 31, 2014.

The Executive Summary on page 1 summarizes the audit results, while the Audit Results section provides a detailed explanation.

We acknowledge the cooperation and assistance we received from the Administrative Services Division. Their help was essential to the performance of this audit.

Our report was discussed with management and their response is included in the Audit Results section of the report. Management's response is included in the Audit Results section of the report.

Very truly yours,

Stephen J. Barron, Jr., CFE  
County Controller

Paul L. Albert, CIA  
Lead Auditor

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## **EXECUTIVE SUMMARY**

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Overall, the daily processing of mail by the Administrative Services Division (Mailroom) is functioning well. However, improvements could be made in how some month-end processes are completed, and the policies and procedures of the office should be documented.

Savings could be attained by the County in the handling of postage machine leases. Some machines aren't necessary, such as the one at the Jail and one of the machines at the Human Service building. Mail that could be processed through the Mailroom should flow through there as it will reduce the need for manpower to operate the offsite machines, and correspondence would be mailed at a cheaper rate.

Finally, greater oversight is needed for Postal Permit #142. Account usage isn't monitored resulting in a large balance in the postal account; the balance should be kept at a minimum. The account should be reconciled regularly before more money is deposited, and policies and procedures for that account should be developed and documented.

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## INTRODUCTION

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Postage activities at the Government Center/Courthouse complex are generally centralized in the Administrative Services Division which reports to the Department of Administration. The Mailroom is also responsible for large or complex duplication projects. They have the equipment and expertise to perform these functions economically and efficiently because of economies of scale. They're able to mail first class mail at a cheaper rate using bulk mail rates and they have the capability of processing large quantities of mail. The Mailroom is also the location where mail is delivered and sorted for Government Center/Courthouse offices and where inter-office mail is distributed. The Mailroom is staffed by two full-time employees.

Postage costs incurred by the Mailroom generally stay within the Administrative Services cost center. The only exception pertains to divisions that could receive reimbursement for postage expenses, usually from another governmental body. Those postage costs are allocated to those divisions semi-annually by use of journal vouchers prepared by a Fiscal Affairs Accountant. Divisions that are located away from the Government Center/Courthouse complex usually have their own postage machines. Those divisions pay for the lease or rental of their postage machines and also for the postage. Those costs stay within those divisions. Postage costs incurred by the Mailroom through October 31, 2014 amounted to \$294,969, while County-wide those costs totaled \$605,464.

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## **PURPOSE AND SCOPE**

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The audit was initially identified when work in the Mailroom from another audit found weaknesses in the oversight of Postal Permit #142. As we progressed through this audit, the Deputy Director of Administration asked that we broaden the scope to include other postage activity.

The purpose of the audit was to determine if:

- Controls over Postal Permit #142 and other postal activities are adequate.
- Processes are in compliance with County policy, if applicable.
- Processes are efficient and effective.

Our tests included activity to Postal Permit #142 for the fiscal year ended May 31, 2014, and general postal activity for the first ten months of 2014.

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## **METHODOLOGY**

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Our methodology included:

- Interviewing staff in the Mailroom and other County divisions.
- Obtaining information from the Post Office about activity to Postal Permit #142.
- Documenting and researching postal expenditures for County divisions.
- Obtaining information about postage machine leases and postage meter rentals.

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 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.

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## AUDIT RESULTS

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### Section A – Economy and Efficiency

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#### 1. Postage Machine Leases

##### OBSERVATION

Due to the location of some County offices it isn't practical for them to bring their outgoing mail to the Mailroom to have postage applied. At those locations, the County entered into leases under a Pennsylvania State Contract with Neopost, dba Mail Finance. The quarterly lease payment includes meter rental and maintenance. The detail for the leases is as follows:

<i>Location</i>	<i>Quarterly Lease Amount</i>	<i>Lease Expires</i>
<i>Mailroom</i>	<i>\$2,164</i>	<i>Dec. 2016</i>
<i>District Courts (15)</i>	<i>\$259 each</i>	<i>July 2016</i>
<i>Gracedale</i>	<i>\$259</i>	<i>July 2016</i>
<i>Jail</i>	<i>\$1,056</i>	<i>Dec. 2017</i>
<i>Human Services Bldg.</i>	<i>\$572</i>	<i>July 2016</i>
<i>Human Services Bldg.</i>	<i>\$568</i>	<i>July 2016</i>

There are also three divisions that own their postage machines but pay a monthly or quarterly rental charge for use of the postage meter. The rental payments do not cover maintenance if the machines break. Those offices are Domestic Relations, E-911/Emergency Management, and the Juvenile Detention Center.

An analysis of these lease and rental payments led to the following observations:

- The District Courts were paying sales tax on the lease payments. The sales tax amounted to \$933.60 per year for all of the District Court offices. The Deputy Purchasing Manager contacted Mail Finance and they will refund all of the sales tax paid.
- After discussions with Jail and Mailroom staff, it was learned that the Mailroom could accommodate the outgoing mail from the Jail. This would negate the need for a postage machine in the Jail, provide a cheaper first class rate due to use of the bulk mail rate, and free some time for the Officer in the Jail who runs the outgoing mail through the postage machine.
- There are currently two postage machines at the Human Services Building. One originated with Children, Youth and Families at the Wolf Building, and the other with Mental Health at the Bechtel Building. Only one machine is necessary.

- A postage meter is rented by the Juvenile Detention Center for \$210 a year and they purchased \$3,000 of postage during the period under audit. Their volume of outgoing mail could be handled by the Mailroom negating their need for the postage meter rental and resulting in a lower first class rate due to the bulk mail rate.

#### RECOMMENDATION

Management should pursue the cost saving benefits of a centralized Mailroom for offices when it's practical. Leases or rentals that aren't necessary should be cancelled if possible, or the lease should not be renewed when it expires. For an office like Domestic Relations that mails over 100,000 pieces of first-class mail every year, it wouldn't be practical for them to take their mail to the Mailroom.

#### MANAGEMENT RESPONSE

##### **Catherine Allen, Deputy Director of Administration**

Administration will work with the other departments to centralize mail processing through the Mailroom. Human Services and the Jail will be terminating leases and returning unnecessary postal meters.

##### **Allison Frantz, Director of Human Services**

DHS agrees that only one (1) postage machine is necessary in the Human Services Building. In August 2014 the Department of Human Services initiated steps toward that end. It was verified that a penalty would be assessed for returning the equipment prior to the expiration of the lease. In August of 2014 DHS decided to only renew one (1) postage machine lease. DHS became aware at that time, August 2014, that Office of Procurement Deputy Purchasing Manager had previously made such an inquiry in February 2014, in preparation for the consolidation of the Human Services Divisions in the Human Services Building. Office of Procurement continues to attempt to reduce or ameliorate any pre-lease return penalty.

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## **Section B – Internal Controls**

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### **1. Oversight of Postal Permit #142**

#### **OBSERVATION**

Postal Permit #142 is used by three divisions for specific bulk mailings. Tax Claim uses it for the third party mailing of Tax Claim (delinquent tax) mailings, the Jury Clerk for mailing jury summons notices and the District Attorney's Office for mailing subpoena notices. The permit number is printed on the top right corner of the mailer and the cost of the mailings is deducted from the account established with the Post Office. The majority of deposits to the account are the result of check requests from Tax Claim that are approved and processed by Administrative Services, based on the type of postage services required and the number of delinquent tax notices being mailed.

Although usage of the permit is limited, several observations were noted during the audit.

- Usage of the permit for the fiscal year ended May 31, 2014 was:
  - Tax Claim           \$73,140
  - Jury Clerk           \$ 6,954
  - District Attorney   \$ 1,263
- No one at the County is able to log into the Post Office's website to view the activity to Permit #142. The balance in the account at May 31, 2014 was approximately \$30,000.
- Reconciliations are not performed for Tax Claim mailings between the money deposited into the account vs. the actual cost of the mailings. As a result the balance in the permit account continues to grow because deposits to the account have traditionally exceeded the cost of the actual mailing. During the year ended May 31, 2014, deposits were \$91,000 and withdrawals were \$81,000, resulting in a \$10,000 increase in the account balance.
- During the fiscal year under audit Court Administration deposited \$5,000 into the account for juror mailings; the remainder of the deposits were made by Administrative Services for Tax Claim mailings. No one in Administrative Services was aware that Court Administration made deposits to the account.
- Processes involved with Postal Permit #142 are not documented.

#### **RECOMMENDATION**

Policies and procedures should be developed, documented and implemented for the use of Postal Permit #142. The account should be monitored by County personnel, deposits to the account should only be made by Administrative Services and only a minimum balance should be maintained in the account.

MANAGEMENT RESPONSE

**Jill Cicero, Court Administrator**

Court Administration concurs with the auditor's recommendation.

**Catherine Allen, Deputy Director of Administration**

Administration is putting together policies and procedures for the monitoring of the deposits, withdrawals and monthly balances on Postal Permit #142. Management is aware of the deposits made by Court Administration; the employees in the Mailroom were not.

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## **Section C – Policies and Procedures**

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### **1. Document Policies and Procedures**

#### **OBSERVATION**

The Mailroom does not have written policies and procedures that address the processing of mail and other functions that take place there. For example, the Mailroom employee responsible for preparing the spreadsheet with monthly postage meter readings retired in December. The process for taking the readings wasn't documented, and the spreadsheet used to document the readings was on the hard drive of his computer, instead of a shared drive where others could access it.

The purpose of policies is to outline in writing the requirements that management wants followed. Some may exist to comply with laws and regulations; others are present to maintain adequate internal controls. The procedures are simply the steps to follow when processing transactions so that they comply with the policies. Documented policies and procedures are a great learning tool for new employees; they supplement the actual training that takes place and are a great reference source.

#### **RECOMMENDATION**

The management of the Mailroom should develop and implement written policies and procedures which encompass the processes that take place there. Processes should be evaluated to make sure they're efficient and that information stored on a computer is available for access by other members of the office. The manual should be updated regularly to reflect current regulations and practices. The Controller's Office is available to assist division management upon request.

#### **MANAGEMENT RESPONSE**

##### **Catherine Allen, Deputy Director of Administration**

Administration is working with the employees of the Mailroom to develop policy and procedure manuals. The manuals will include all of the processes done in the Mailroom and all of the current regulations and practices. These will be kept on the computers in the Mailroom as well as in Administration. They will be updated annually, as postal regulations change frequently. These manuals will be helpful for monitoring and also succession planning, which we have found to be problematic throughout the County in most departments.

Administration would like to thank the Controller's office and the Auditors that worked with us to find the deficiencies within the Mailroom. While we were aware of some, others were brought to our attention with this audit. We are now able to correct them, save money on postage and become more efficient with the County's mailing costs.