

ULSTER COUNTY COMPTROLLER'S OFFICE

Elliott Auerbach, Comptroller



Audit of Internal Controls Over Postage

May 15th, 2017

The mission of the Ulster County Comptroller's Office is to serve as an independent agency of the people, to protect the public interest by monitoring County government and to assess and report on the degree to which its operation is economical, efficient and its financial condition sound.

ULSTER COUNTY OFFICE OF THE COMPTROLLER

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Evan Gallo, Esq.
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Alicia DeMarco, CPA
*Director of Internal Audit &
Control*

Dear County Officials:

Following is our report on the Purchasing Department's methodologies and practices regarding postage services for Ulster County's departments, offices, and programs. Our review sought to confirm whether internal controls are in place, as well as operating efficiently and effectively, ensuring that accurate processing and billing exist.

We conclude that the controls surrounding the operations of postage usage are generally appropriate. However, the procedures for billing reimbursable departments could use marginal improvement relating to the oversight process.

The reports issued by the Office of the Ulster County Comptroller ("Office") are an important component in accomplishing the development and promotion of short and long-term strategies to achieve reduced costs and improve service delivery, accountability, and protection for the County's assets. These reports are expected to be a resource, are designed to identify currently emerging fiscally related problems, and typically provide recommendations for their improvement.

The Office conducted this audit and produced this report in accordance with the Comptroller's authority as set forth in Article IX, Section 57, first paragraph, and Sections 57(A) and (G) of the Ulster County Charter, as well as applicable New York State laws, rules, and regulations.

If we can be of assistance to you, or if you have any questions concerning this report, please feel free to contact us.

Respectfully submitted,

Ulster County Comptroller

Objective

The objectives of this audit were to (1) review the methodology and practices surrounding Ulster County's postage operations and (2) determine the existence of, and adherence to, the internal controls governing this activity.

Background

Ulster County's postage activity is currently under the authority of the Purchasing Department. In 2014, Central Services was split into separate mailroom and printing divisions. The responsibilities of the mailroom division were charged to the Purchasing Department, including collecting, sorting, distributing, processing, and transporting mail and packages for Ulster County's departments and governmental units. The mailroom staff consists of two full time personnel and is assisted by other members of the Purchasing Department.

All outgoing mail is processed through Purchasing's mailroom division using the Pitney Bowes postage meter, which applies the rates of the United States Postal Service (USPS), the United Parcel Service (UPS), and FedEx depending upon department postage and shipping needs. This streamlined and centralized process has provided efficiencies and savings by using bulk rates, as the division has the capability to process large quantities of mail.

Postage costs for the County are generally incurred by the Purchasing Department notwithstanding exceptions pertaining to departments and offices that receive reimbursement from other governmental entities.

The subsequent chart summarizes the Purchasing Department's postage expenses for 2015 and 2016, excluding reimbursable departments:

<i>Purchasing Postage Expense</i>			
	<i>Adopted Budget</i>	<i>Amended Budget</i>	<i>Actual Expense</i>
<i>2015</i>	\$237,500.00	\$273,500.00	\$272,538.50
<i>2016</i>	\$255,000.00	\$380,537.00	\$379,593.94

The next chart summarizes the entire County’s postage expenses for 2015 and 2016, including reimbursable departments:

<i>Ulster County Postage Expense</i>			
	<i>Adopted Budget*</i>	<i>Amended Budget*</i>	<i>Actual Expense*</i>
<i>2015</i>	\$368,905.00	\$405,801.00	\$311,152.20
<i>2016</i>	\$357,842.00	\$474,124.00	\$404,486.00
<i>*Figures include interdepartmental revenue received by Purchasing</i>			

“Amended” amounts represent changes or additions to the originally budgeted appropriation line.

Throughout the years highlighted above, budgeted appropriations have been transferred in and out of various departmental postage expenditure lines to account for other expenses incurred by the County. For 2015 and 2016, the total net dollar amount of amendments to postage expenditures for the entire county collectively accounted for \$153,178. Some examples of budget transfers include:

- In 2015, Purchasing moved \$36,000 in total from “Office Supplies” (\$10,000), “Lease Rental” (\$25,000), and “Auto Fuel” (\$1,000) to cover anticipated shortfalls in postage.
- In 2016, Purchasing moved \$125,537 in total from “Regular Payroll” (\$60,787), “Jail Regular Payroll” (\$52,500), “Supplies Office” (\$10,000), “Printing Services” (\$1,250), and “Auto Fuel” (\$1,000) to supplement and increase the budgeted balance of postage.

The Purchasing Department assigns an account number to each “division” of the County that sends mail through the Pitney Bowes machine. Postage accounts can be tracked by dollar amount associated with, as well as the number of items sent by, the department or unit using the machine.

The following chart serves as a breakdown for the postage amounts expensed by each governmental unit for 2015 and 2016:

Government Unit	2015	2016	Government Unit	2015	2016
Clerk of Legislature	\$ 2,486.29	\$ 2,105.57	Jail	\$ 1,178.25	\$ 1,378.68
District Attorney	\$ 2,707.31	\$ 2,313.75	Safety	\$ 95.64	\$ 56.75
Public Defender	\$ 1,774.03	\$ 1,545.87	Health Department	\$ 7,804.38	\$ 7,804.10
Medical Examiner	\$ 256.94	\$ 325.29	Mental Health	\$ 670.65	\$ 611.16
County Executive	\$ 1,457.35	\$ 516.69	UCAT	\$ 787.93	\$ 617.72
Department of Finance	\$ 26,286.12	\$ 42,835.80	Department of Social Services	\$ 79,355.59	\$ 76,012.09
Comptroller Office	\$ 447.60	\$ 328.63	Office of Employment & Training	\$ 1,477.06	\$ 2,131.85
Purchasing	\$ 677.90	\$ 654.54	Tourism	\$ 24,186.04	\$ 21,739.11
Real Property	\$ 345.03	\$ 275.09	Veteran Services	\$ 671.85	\$ 644.79
County Clerk Office	\$ 21,628.37	\$ 22,969.40	Office of the Aging	\$ 2,670.76	\$ 2,280.09
County Attorney	\$ 1,078.56	\$ 886.18	Youth	\$ 235.45	\$ 171.56
Personnel	\$ 3,690.46	\$ 3,463.22	Planning Department	\$ 1,959.94	\$ 2,550.80
Board of Elections	\$ 14,007.69	\$ 20,861.83	Environment Department	\$ 24.15	\$ 67.85
Department of Public Works	\$ 814.81	\$ 885.03	Family Court	\$ 15,949.42	\$ 15,948.61
Buildings and Grounds	\$ 358.59	\$ 112.88	Courts	\$ 10,608.37	\$ 10,386.52
Information Services	\$ 262.92	\$ 171.69	Surrogates	\$ 3,788.40	\$ 3,472.77
Works Comp Insurance	\$ 156.18	\$ 195.61	Commissioner of Jurors	\$ 867.04	\$ 101.04
Unallocated Insurance	\$ 101.86	\$ 22.71	Fire Coordinator	\$ 83.87	\$ -
Emergency Communications	\$ 3,691.89	\$ 3,831.43	Library	\$ 0.47	\$ -
Sheriff Office	\$ 26,154.68	\$ 30,618.28	Long Term Health Care	\$ 0.46	\$ -
Probation	\$ 5,503.98	\$ 5,502.10			

The top three governmental units that accounted for the highest postage fees in 2016 were the Department of Social Services, Department of Finance, and Sheriff's Office.

Scope

We examined Pitney Bowes reports by month for 2015 and 2016, tracking department usages, analyzing amounts expended, and conducting a test sample to ensure accurate rates were applied by Pitney Bowes. Reports were run from the County's financial management system to compare departmental usage and billings, and we reviewed Pitney Bowes' statements and reconciled the account.

Findings & Recommendations

Based on our review, the postage audit revealed minor errors in billings to the reimbursable departments. The Office for the Aging was overcharged \$55.10 for the 2nd quarter of 2016 due to choosing the wrong year when running the billing reports. Additionally, for the 4th quarter of 2016, the date selection for the Department of Social Services only included October 31st through December 31st, omitting October 1st through 30th. All other testing proved that accurate rates were applied, and the reconciliations accounted for all monies added and expensed from the Pitney Bowes account.

Therefore, we recommend that Purchasing implement a review process over billings sent to the reimbursable departments so that minor data collection and mathematical errors can be more readily detected.

Conclusion

We conclude that the postage account is maintained with reasonable accuracy, adequate controls exist, and accurate rates were applied during the audit period reviewed.

Prior to release, a draft version of this report was sent to the Purchasing Department for their review. Any response received from the Department has been incorporated into the final report.

We extend our appreciation to the Department for their responsiveness and accommodations throughout the course of this audit.

Appendix A: Response from Purchasing Department



COUNTY OF ULSTER

PURCHASING DEPARTMENT

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MICHAEL P. HEIN
County Executive

MARC D. RIDER
Director of Purchasing



EDWARD M. JORDAN
Deputy Director of Purchasing

MEMORANDUM

TO: Alicia DeMarco, Director of Internal Audit and Control
FROM: Marc Rider, Director of Purchasing
DATE: June 14, 2017
RE: RE: Response to Postage Audit

Thank you for allowing me to review the draft copy of the report titled "Audit of Internal Controls Over Postage" produced by your office on May 15, 2017. It is always good to have the opportunity to review the Department's procedures and controls. I agree with the findings in the report. We will follow the recommendation that an additional level of review be set in order to avoid overbilling other departments due to administrative errors.

Again, thank you for taking the time to audit the internal controls related to postage. I think overall the report validated the good work done by my staff, while also showing that there is always room for improvement. If you have any further questions, please contact me at (845)340-3805.

Sincerely,

Marc Rider
Ulster County Director of Purchasing

CC: Michael P Hein, Ulster County Executive
Robert Sudlow, Deputy County Executive
Elliott Auerbach, Comptroller