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Internal Auditor's Report

The County Council and County Executive of Wicomico County, Maryland:

Pursuant to Section 305(D) of the Wicomico County Code the Office of the Internal Auditor (IA) has conducted an Audit of Wicomico County postage billing. A report is submitted herewith. The purpose of the audit was to determine the adequacy of procedures and controls along with the level of compliance with those procedures and controls for the process of billing postage to various county departments from General Services.

IA conducted the audit with due professional care and IA planned and performed the audit to obtain reasonable assurance about whether the postage billing practices are in compliance with applicable policies and procedures and whether those policies and procedures are adequate to obtain an acceptable level of control over county postage expenditures.

IA extends appreciation to the management and staff of the Department of General Services, Purchasing, and Administration for their assistance in this audit.

Respectfully submitted,

J. Stephen Roser, CPA
Internal Auditor

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Audit Report

Background

This audit is *not* part of the FY 2013 Annual Audit Plan as approved by Council resolution No. 125-2012. IA obtained Council permission to pursue this exercise based on some questions that arose in day-to-day Council Office operations. A routine perusal of the postage expense in June assigned to the County Council Office revealed an amount in excess to perceived usage for the office by a large amount.

Audit Objectives

The objectives of the audit were to:

1. Review the methodology and practices for postage accounting
2. Review internal controls concerning postage
3. Perform sample testing related to the policies and procedures for postage expense accounting practices
4. Determine adherence to internal controls related to accounting for postage expense

Scope of the Audit

IA conducted observations, interviews, and Inquiries with appropriate personnel, as well as examination of various documents. The audit period examined on a test basis was February to July 2012. IA worked with General Services and Purchasing to:

- Create a narrative for the process for accounting for postage expense
- Evaluate Internal controls over accounting for postage
- Evaluate adherence to those controls
- Make recommendations

General Highlights and Statistics

IA requested that the Council administrative assistant log the number and type of mailings for July 2012. The Council administrative assistant logged six pieces of mail sent to General Services for mailing during the month of July 2012. General Services billed Council for 129 pieces of mail for the same period. A review of the postage process with the Purchasing Director and General Services personnel revealed that all paychecks mailed, including those to retirees, are billed to Council. The practice predates everyone interviewed, and possibly, the current executive form of County government.

The County placed a new postage machine in service during July 2012. The new postage machine, manufactured by Pitney Bowes, tabulates postage for each of 20 departments based on postage meter user input. General Services processes mail twice daily. Our findings suggest some improvement for the new system with regard to reporting and internal control.

Conclusion

Based on information gathered in this process, the internal controls, and adherence to those controls for Wicomico County postage billing are at an adequate level.¹

Schedule of Findings and Recommendations

Password Protection

Wicomico County has a new, leased Pitney Bowes postage meter in the mailroom. The machine is a sophisticated device that meters, seals, and accounts for postage on a departmental level. There is no password protection to operate the device. IA recommends the establishment of password protection and dissemination of the password to as few General Services associates as deemed necessary to process the mail.

Usage Reports

The Pitney Bowes postage meter calculates usage reports for interdepartmental billing. Currently, the reports are printed once a month on expensive mailing labels and then pasted on a sheet of paper for management approval and subsequent interdepartmental billing (posting). IA recommends that General Services work with IT to develop a more robust system for monitoring usage. It may be possible to produce reports by linking the device to a computer. As with all projects of this nature, it should pass the cost-benefit test.

Postage for Mailed Paychecks

According to General Services, paychecks mailed to recipients (including retirees' pension checks) are billed to County Council. Most paychecks for active employees are direct deposited or hand delivered leaving (again, according to General Services) approximately 39 mailed checks with postage billing to Council. Materiality in this area on a countywide scale is extremely low. It is strictly a management decision as to the inter-department postage billing for mailed pay and retirement checks. IA makes no recommendation in this area except to suggest that management consider matching expenditures to purpose and communicating decisions to the charged department for budgeting considerations.

Management Response from the Purchasing Director

I have talked to Pitney Bowes and they are sending a tech to do the password protection on the machine. In addition, they are going to do some additional training with [General Services Personnel] on the reports. [We have] the ability to do reports using a thumb drive rather than the direct connection but I am also looking at the direct constant connection capability.

¹ For the purposes of this audit, IA uses a three-tier grading system recommended by the International Professional Practices Framework (IPPF) as expressed by the IPPF Practice Guide issued March 2009. The three tiers are Inadequate System of Internal Control, Adequate System of Internal Control, and Satisfactory System of Internal Control. Adequate System of Internal Control indicates that a number of findings, some of which are significant, have been raised. Where action is in progress to address these findings and other issues known to management, these actions will be at too early a stage to allow a satisfactory audit opinion to be given.

Auditor's Closing Remark

Unless directed otherwise by Council, IA plans to follow-up on the first two findings in approximately 60 days. The Wicomico County Office of the Internal Auditor would like to thank management and staff from the Purchasing, General Service, and Administrative Departments for their timely cooperation and assistance during the audit. Additional thanks go to the County Council office administrative assistant.