

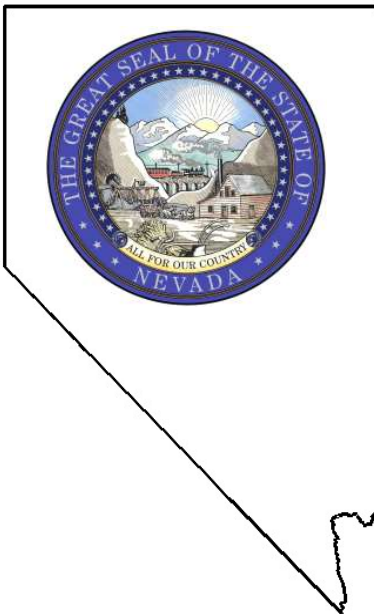
STATE OF NEVADA

Performance Audit

Department of Administration
Mail Services Division

Operations and Billing Processes

2024



Legislative Auditor
Carson City, Nevada

Audit Highlights



Highlights of performance audit report on the Department of Administration, Mail Services Division, Operations and Billing Processes issued on January 16, 2025.

Legislative Auditor report # LA26-03.

Background

The Mail Services Division (Division) is part of the Department of Administration. The Division provides mail services to participating state and local government agencies in the Carson City, Reno, and Las Vegas areas. Services provided include pickup, processing, and delivery of outgoing mail.

The Division operates its primary mailroom and administrative headquarters in Carson City, as well as a second mailroom in Las Vegas. As of June 30, 2023, the Division had 21 filled positions, with 15 staff located in Carson City and 6 in Las Vegas.

The Division administers two budget accounts. Funding is primarily derived from postage revenue received from customer agencies. In fiscal year 2023, the Division's revenues and expenditures amounted to over \$8 million.

Purpose of Audit

The purpose of the audit was to determine whether the Division's controls protect against improper transactions, including fraud, and ensure accurate billing of agencies for mail services.

The audit focused on the Division's activities from January 1, 2022, to June 30, 2023; and certain postage activity through May 2024.

Audit Recommendations

This audit report contains 15 recommendations to reduce the risk of improper transactions and improve the process of billing for the Division's services.

The Mail Services Division accepted the 15 recommendations.

Recommendation Status

The Division's 60-day plan for corrective action is due on April 14, 2025. In addition, the 6-month report on the status of audit recommendations is due on October 14, 2025.

Operations and Billing Processes

Mail Services Division

Summary

The Division's lack of controls for certain mail processes increases the risk that fraud and waste have occurred or will occur in the future. Although we did not specifically identify instances of fraud, we were unable to conclude that it did not occur because of limitations to available information discussed throughout this report. A lack of controls led to suspicious metering transactions, unsecured metered envelopes, uncollected and inaccurate refunds, and unknown parties accessing Division funds. In addition, the Division did not perform background checks for individuals with access to sensitive information. With some metered transactions worth tens of thousands of dollars and the Division paying millions of dollars in metered postage costs each year, the opportunity to defraud the State is significant.

The Division does not have a sufficient process to ensure it accurately bills customer agencies. System errors caused the Division to over and underbill customer agencies for services provided. Unusually large, suspicious transactions and remote meters also created additional billing inaccuracies. Furthermore, insufficient review of billings led the Division to underbill for certain production work. This also created waste because the Division had to absorb the cost of some work as a loss. Inadequately trained staff and a lack of formalized policies and procedures contributed to these billing issues. Ensuring billings are accurate and adequately supported is essential to safeguarding state resources.

Key Findings

The Division did not identify or prevent unusually large, suspicious metering transactions. We found about 6,200 overpaid envelopes totaling more than \$22,000. The 10 largest of these envelopes amounted to over \$8,400 when they should have cost no more than \$6. Clerk credentials for metering transactions were also missing and inaccurate. Clerk credential omissions and inaccuracies occurred in over 406,000 pieces of mail costing over \$168,000. The Division did not document nearly \$273,000 in metering activity that was billed to customers. Because of this limitation, we cannot determine if there were additional suspicious transactions or transactions with missing or inaccurate clerk credentials. Strong controls over metered transactions are imperative to reduce the Division's vulnerability to fraud and waste. (page 9)

The Division's controls over metered envelopes were weak. Metered envelopes with errors were kept unsecured. Additionally, postage refunds were not promptly collected, resulting in reduced refund amounts. Similarly, the Division lacked controls to ensure that postage metering refunds were accurately distributed to customer agencies. Such processes are vital to protecting the Division from fraud and waste of state resources. (page 11)

The Division did not properly monitor activity on remote meters with access to its postage accounts. For example, the Division was only aware of half of the meters connected to its accounts and did not know the other remote meters were in operation and drawing funds from its accounts. Moreover, unknown parties used remote meters to improperly access Division funds without proper authorization. Stronger controls over remote meters can reduce the likelihood of fraud and waste. (page 13)

Postage metering data used by the Division to generate billings contained significant system errors. Moving postage meters resulted in duplicated charges and flawed counts of the amount of mail processed. Transactions amounting to over \$756,000 were incorrectly recorded shortly after midnight and led to billing inaccuracies. This caused the Division to absorb some of these transactions as a loss. The Division billed customer agencies for the remainder of these transactions. Lastly, the Division gave inaccurate billing data to the Administrative Services Division. This caused \$83,000 in underbillings and \$59,000 in overbillings. This also led the Division to bill for nearly \$178,000 of work that it could not provide any documentation for. (page 19)

Suspicious transactions created additional billing inaccuracies. Some of these inaccuracies caused customer agencies to overpay, while others led to underbilling. For instance, 6 of 10 unusually large, suspicious metering transactions described above were double-billed. On the other hand, the Division did not bill for 2 of 11 tested remote meter transactions. (page 21)

The formula the Division used to calculate its production charges contained an error that caused the Division to systematically undercharge for production work. This caused the Division to undercharge for any production job larger than 1,000 pieces of mail. (page 22)

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This report contains the findings, conclusions, and recommendations from our performance audit of the Department of Administration, Mail Services Division, Operations and Billing Processes. This audit was conducted pursuant to the ongoing program of the Legislative Auditor as authorized by the Legislative Commission. The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, programs, activities, and functions.

This report includes 15 recommendations to reduce the risk of improper transactions and improve the process of billing for the Division's services. We are available to discuss these recommendations or any other items in the report with any legislative committees, individual legislators, or other state officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel Crossman".

Daniel L. Crossman, CPA
Legislative Auditor

December 23, 2024
Carson City, Nevada

Mail Services Division

Operations and Billing Processes

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Introduction

Background

The Mail Services Division (Division) is part of the Department of Administration. It was previously operated within the Division of State Library, Archives and Public Records, but became a separate division in July 2021. The Division provides mail services to participating state and local government agencies in the Carson City, Reno, and Las Vegas areas.

Staffing and Budget

The Division operates its primary mailroom and administrative headquarters in Carson City, as well as a second mailroom in Las Vegas. As of June 30, 2023, the Division had 21 filled positions, with 15 staff located in Carson City and 6 in Las Vegas. In fiscal year 2023, the Division's turnover rate was 33%. All of the Division's turnover occurred in its Carson City facility.

The Division administers two budget accounts, one for operations and the other for equipment replacement needs. Funding is primarily derived from postage revenue received from customer agencies. Exhibit 1 shows the Division's revenues and expenditures for fiscal year 2023 that amounted to over \$8 million.

Revenues and Expenditures Fiscal Year 2023

Exhibit 1

Revenues	Totals
Postage ⁽¹⁾	\$6,303,707
Administrative Fee	1,671,759
Interdepartmental Mail	648,648
Production	88,056
Prior Year Revenue	43,089
Federal ARPA Funds	16,849
Total Revenues	\$8,772,108
Expenditures	
Postage ⁽¹⁾	\$6,145,780
Personnel	1,330,379
Operating	769,335
Cost Allocations	207,231
Miscellaneous ⁽²⁾	82,426
Total Expenditures	\$8,535,151
Difference	\$ 236,957
Plus: Beginning Cash	\$1,834,732
Balance Forward to 2024	\$2,071,689

Source: State accounting system.

⁽¹⁾ Postage includes metering, business reply, postage due, permit, private courier, and remote postage meter activity.

⁽²⁾ Miscellaneous expenditures include travel, information technology services, uniform allowances, and purchasing assessment.

Mail Services

Services provided include pickup, processing, and delivery of outgoing mail, which includes overnight interdepartmental mail service between Carson City and Las Vegas. The United States Postal Service (USPS) processes and delivers all other in-bound mail to agencies on a daily basis.

The Division recovers postal charges applied to mail and packages and assesses an administrative fee for handling mail. For fiscal year 2023, that administrative fee was about 27%, which led to the Division collecting over \$1.6 million.

The Division's operations can be grouped into three categories: interdepartmental, postage, and production. For interdepartmental mail, the Division collects, sorts, and delivers mail from one customer agency to another. Mail from Reno and Carson City locations is sent via a contract carrier to the Division's southern office which distributes the mail to customer agencies

located in Las Vegas. That process works in reverse as interoffice mail from Las Vegas agencies is delivered to agencies in Reno and Carson City.

The different types of postage include:

- Metered: Envelopes or postcards which are electronically processed, tracked, and connected to an automated mail counting, metering, and sorting system. The USPS offers postage discounts for mail it receives that is presorted by destination zip code. Metering is the process of weighing a piece of mail and applying postage.
- Business Reply: Some state agencies provide services to Nevada's citizens and businesses using postage-paid return envelopes. The USPS delivers business reply envelopes to the Division and assesses the appropriate postage fees.
- Postage Due: Occasionally, mail sent by state agencies will have insufficient postage or incorrect addresses. If possible, the USPS will deliver this mail to the correct address and the Division will assess the appropriate postage fee.
- Permit: In certain instances, state agencies can apply for postage permits. Postage permits allow mail to be sent at a slightly lower rate than the standard postal rate. Agencies use preprinted envelopes with special barcoding and the permit number preprinted on the envelope.
- Private Courier: Mail is sometimes sent through private couriers such as FedEx and UPS rather than through the USPS. This is done in special circumstances such as a package being especially heavy.
- Remote Postage Meter: A few state agencies with offices in rural Nevada operate their own postage meters. This is done because it is not practical for the Division to handle the mail originating from these remote locations. Remote meters are operated by the state agency and postage is

applied to the meter via a third-party postage vendor contracted with the Division. The Division then bills the state agency for the amount of postage applied to its remote meter.

Finally, the Division's production work includes folding, inserting, pressure sealing, and tabbing. Production services are billed based on the number of pieces processed and the type of service provided.

The Division processed over 8 million pieces of metered mail costing over \$4.4 million during fiscal year 2023. As shown in Exhibit 2, a small number of state agencies account for the majority of the Division's billings. Specifically, 72% of metered postage charges for fiscal year 2023 were billed to the Division's three largest customer agencies.

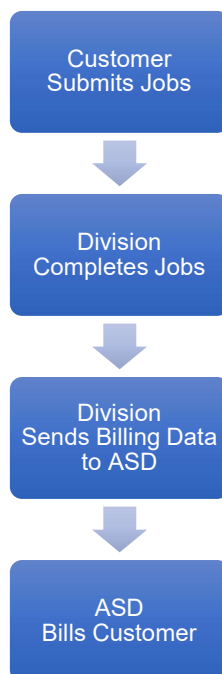
Division's Largest Customers Fiscal Year 2023

Exhibit 2

Customer Agencies	Postage Metering Charges	Charges Percent of Total	Volume of Mail	Volume Percent of Total
Department of Health and Human Services, Division of Welfare and Supportive Services	\$2,072,233	46%	4,083,052	51%
Department of Employment, Training and Rehabilitation	614,084	14%	1,287,240	16%
Department of Motor Vehicles	514,905	12%	960,955	12%
All Remaining Customers	1,272,489	28%	1,705,068	21%
Totals	\$4,473,711	100%	8,036,315	100%

Source: Division postage metering systems.

The Division collaborates with the Department of Administration's Administrative Services Division (ASD) to facilitate agency billings. The Mail Services Division provides ASD with the amount of mail and the dollar amount for the interdepartmental, postage, and production work performed on behalf of each customer agency. ASD then bills the relevant agency budget accounts and provides the customer agencies with an invoice describing the charges. Exhibit 3 summarizes the billing process from initial job request to final billing.

Job Request Through Billing Process**Exhibit 3**

Source: Auditor prepared based on Division discussions and review of Division records.

Scope and Objectives

The scope of our audit included a review of the Division's activities from January 1, 2022, to June 30, 2023; and certain postage activity through May 2024. Our audit objectives were to determine whether the Division's controls:

- Protect against improper transactions, including fraud.
- Ensure accurate billing of agencies for mail services.

This audit is part of the ongoing program of the Legislative Auditor as authorized by the Legislative Commission and was made pursuant to the provisions of Nevada Revised Statutes (NRS) 218G.010 to 218G.350. The Legislative Auditor conducts audits as part of the Legislature's oversight responsibility for public programs. The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, programs, activities, and functions.

Limitations

We conducted our audit in accordance with government auditing standards. Standards require we report constraints imposed on the audit approach by information limitations. We do not believe these limitations impacted our audit objectives or affected our conclusions on internal controls, because of other procedures performed, such as auditor observations and reconciliation of postage metering data.

Readers are encouraged to review our findings regarding unusually large, suspicious metering transactions; clerk credentials in metering transactions; envelope errors; remote meters; postage metering data system errors; inconsistent billing data; and production billing errors. The methodology section of this report (see Appendix A) provides further detail regarding how evidence was obtained to support our audit conclusions.

The following are items for consideration regarding the information limitations we identified during the audit:

- The Division could not provide significant amounts of documentation for its metering and production activities. Moreover, much of the documentation the Division could provide for these activities was inaccurate. This prevented us from determining the total impact of the issues we observed during our audit period.
- The Division could not account for discrepancies in reports used to generate billings. Postage metering activity totaling about \$273,000 was billed to customers but was not documented in the data used by the Division to generate billings. This prevented us from confirming the validity of these charges. It also prevented us from testing this activity for the types of issues described throughout this report.
- Flaws in the remote meter data prevented us from conducting certain tests. The remote meter data did not contain accurate physical addresses or meter numbers. This stopped us from directly testing the movement of

postage from the Division's vendor postage accounts to customers' remote meters.

- The Division did not document much of its refund process. USPS refunds combined an unknown number of transactions and the Division had no documentation to distinguish which transactions were part of a refund. This made it impossible to test large portions of the Division's refunds.

In April 2023, the Division changed the postage metering system it used for maintaining metering data. Our audit scope covered 16 months of metering data maintained in the old system. Despite this change in systems, the limitations we encountered are likely to persist until control weaknesses are corrected. Moreover, the Division indicated that some of these limitations exist in the new postage metering system as well.

Lack of Controls Increases Risk of Fraud and Waste

The Division's lack of controls for certain mail processes increases the risk that fraud and waste have occurred or will occur in the future. Although we did not specifically identify instances of fraud, we were unable to conclude that it did not occur because of limitations to available information discussed throughout this report. A lack of controls led to suspicious metering transactions, unsecured metered envelopes, uncollected and inaccurate refunds, and unknown parties accessing Division funds. In addition, the Division did not perform background checks for individuals with access to sensitive information. With some metered transactions worth tens of thousands of dollars and the Division paying millions of dollars in metered postage costs each year, the opportunity to defraud the State is significant.

Overview of the Postage Metering Process

For the purpose of explaining the risk of fraud and waste related to the issues discussed in this audit, the following is a brief description of certain postage and production processes:

- Metering (Postage) – The USPS offers postage discounts for mail it receives that is presorted by destination zip code. The Division maintains machines that meter mail by weighing the piece of mail and applying postage. These meter machines are preloaded with postage that the Division purchases from the USPS. When a customer agency submits a job to the Division, it is entered into the postage metering system in one or multiple transactions. Each of those transactions involves anywhere from a single piece of mail to tens of thousands of pieces of mail. If an error occurs in the metering process, the Division can contact the USPS and receive a refund, equal to the

amount of metered postage minus a 10% administrative fee.

- Envelopes (Production) – The Division’s production work includes, among other things, folding and inserting large quantities of customer agency mail into envelopes. Typically, postage is then applied to these envelopes through metering. If an error occurs during this process, the Division can collect the envelopes and seek reimbursement from the USPS.

Suspicious Metering Transactions

The Division did not identify or prevent unusually large, suspicious metering transactions. Additionally, clerk credentials for metering transactions were missing and inaccurate. During our 18-month audit period, the Division paid about \$6.7 million to meter postage. Strong controls over metered transactions are imperative to reduce the Division’s vulnerability to fraud and waste.

Unusually Large, Suspicious Transactions Not Identified or Prevented

The Division did not have adequate controls to monitor or stop unusually large, suspicious metering transactions. We found that the Division paid more than standard USPS rates for about 6,200 of 8.1 million metered envelopes. This caused the Division to overpay by at least \$22,000 for these envelopes. While this represents a small percentage of the total amount of metered postage, the results are troubling because they suggest the Division is vulnerable to fraud. The Division was also unable to provide documentation for about \$273,000 of metering activity that was billed to customers. Because of this limitation, we cannot determine if additional postage overpayments were present in any of these transactions.

Metered envelopes are easily converted to cash. A Division employee can adjust a machine to meter an envelope at a higher dollar value. The envelope is then taken to the USPS and a refund is requested. The USPS may issue the refund as a cashier’s check or blank money order. Exhibit 4 shows the 10 largest overpaid envelopes identified during our audit period.

Top 10 Overpaid Envelopes January 2022 to June 2023

Exhibit 4

Envelope Number	Price of Envelope	Maximum Correct Charge	Overcharge
1	\$4,514.11	\$0.60	\$4,513.51
2	1,580.31	0.60	1,579.71
3	619.15	0.60	618.55
4	592.54	0.60	591.94
5	436.02	0.60	435.42
6	244.80	0.60	244.20
7	219.48	0.60	218.88
8	145.34	0.60	144.74
9	63.16	0.60	62.56
10	39.55	0.60	38.95
Totals	\$8,454.46	\$6.00	\$8,448.46

Source: Division postage metering systems.

These 10 envelopes each occurred in a separate transaction. The Division could not provide documentation for these charges. It also could not provide documentation that it received refunds from the USPS or distributed those refunds to customer agencies.

The Division indicated that 8 of these 10 envelopes had correct charges but incorrectly recorded the number of envelopes in the transaction. However, the Division could not provide documentation to show these transactions were valid.

Clerk Credentials in Metering Transactions Missing and Inaccurate

Certain metering transactions lacked clerk credentials or had inaccurate credentials. For instance, we found transactions that did not list the clerk who performed the work. We also found transactions that did not list a Division employee and instead indicated a customer agency completed the work. Customers do not complete work for the Division, so these transactions should have instead included Division clerk credentials. Based on available documentation, we identified over 406,000 pieces of mail costing over \$168,000 with missing or inaccurate credentials. The total number of transactions with missing or inaccurate credentials for all the metering activity during our audit period is unknown because the Division could not provide all metering documentation. Similarly, we observed missing credentials in production paperwork.

Control Weaknesses Over Metered Envelopes

Clerks enter their credentials into the Division's postage metering system as they meter mail and complete transactions. Doing so establishes chain of custody over the Division's work. Allowing employees to perform metering transactions with missing or inaccurate clerk credentials makes it more difficult to determine who is responsible for an unusually large, suspicious transaction. This makes the Division more vulnerable to fraud.

The Division's controls over metered envelopes were weak. Metered envelopes with errors were kept unsecured. Additionally, postage refunds were not promptly collected, resulting in reduced refund amounts. Similarly, the Division lacked controls to ensure that postage metering refunds were accurately distributed to customer agencies. Such processes are vital to protecting the Division from fraud and waste of state resources.

Unsecured Envelope Errors

Envelope errors have several causes, such as clerks using the wrong type of envelope, a meter misprinting postage, and customer agencies providing improperly formatted envelopes. These envelope errors are a cash equivalent because they can be refunded by the USPS. An employee could take these envelope errors to a post office and collect a refund in the form of a cashier's check or blank money order. We directly observed these valuable resources left easily accessible in an unlocked and unoccupied office, as shown in the picture below.

Unsecured envelope errors.



Source: Picture taken by auditor, Carson City facility.

In addition to increasing the risk of fraud, excessive metering errors are wasteful. For all refunds issued by the USPS, a 10% administrative fee is assessed on the refund amount. Therefore, the Division has a financial reason to ensure proper controls are in place for its metering activities.

Uncollected Refunds

The Division also indicated that it sometimes did not collect refunds for envelope errors. The picture below shows a box full of envelope errors that the Division never collected refunds for from the USPS. According to Division personnel, the box shown in the picture is worth about \$1,000. We observed several similar boxes of unrefunded envelope errors. This leaves the Division vulnerable to fraud and waste.

A box of envelope errors the Division never collected refunds for.



Source: Picture taken by auditor, Carson City facility.

Inaccurately Distributed Refunds

Furthermore, the Division indicated that it sometimes improperly divided the refunds among its customers by giving each customer an equal share, rather than basing the refund on the value of envelopes associated with each customer. Lastly, the Division indicated that it sometimes improperly gave the entire refund to its largest customer.

The Division could not provide any documentation in this area, so we were unable to determine the number of envelope errors, the

associated dollar amount, the customer agencies that were charged, if a refund was collected from the USPS, or how much of that refund went to the customer.

After bringing this issue to its attention, the Division revised its process for envelope errors in July 2023. However, this new process still leaves envelope errors vulnerable to improper access and not receiving their full refund value.

The lack of proper guidance to staff contributed to the numerous control weaknesses identified throughout this report. Issues related to metered transactions resulted from a lack of formal policies and procedures and staff training. Despite being a standalone Division since July 2021, the Division has never finalized its policies and procedures. Without written policies and procedures and adequate training, staff may not know what is expected of them and processes are frequently not completed according to management's expectations. Daily duties may also not be performed consistently among staff. With a high annual turnover rate of 33% in fiscal year 2023, it is even more critical for the Division to provide staff with written policies and procedures and ongoing training related to its employees' duties.

State law and guidelines require each agency to develop written procedures to carry out a system of internal accounting and administrative controls. This includes a system of practices to be followed when performing the duties and functions of the agency. Further, agencies are required to periodically review their system of control to ensure it is working as intended and identify any weaknesses and noncompliance.

Unknown Access to Division Funds

The Division did not properly monitor activity on remote meters with access to its postage accounts. For example, the Division was only aware of half of the meters connected to its accounts and did not know the other remote meters were in operation and drawing funds from its accounts. Moreover, unknown parties used remote meters to improperly access Division funds without proper authorization. Stronger controls over remote meters can reduce the likelihood of fraud and waste.

Unknown Remote Meters

We reviewed Division records and determined there were 33 active meters connected to the Division's postage accounts during our audit period. The Division indicated it was aware of only 17 meters, which might suggest that not all 16 remaining meters require access to the Division's postage accounts. Because the Division could not provide a complete listing of remote meters, we cannot determine the parties operating these 16 meters.

Therefore, some of the meters might be operated by unknown parties that are not authorized to use remote meters connected to the Division's postage accounts.

Some state agencies have offices located in rural Nevada, and it is not practical for the Division to handle the mail originating from these remote locations. These agencies operate remote meters, enabling them to apply postage and send mail directly from their offices. Remote meters are typically operated by customer agencies, but they are funded through the Division's postage accounts. Customer agencies are to reimburse the Division for postage used under its accounts. The Division is supposed to bill the customer agencies for the funds those agencies load onto their remote meters. However, it did not bill and collect for activity on those unknown remote meters.

Customers Improperly Accessed Postage

Customer agencies loaded funds onto remote meters without the Division's prior approval. We reviewed 11 of 49 remote meter billing transactions and found 4 were not properly approved. For two transactions, the Division could not provide documentation that the customer properly requested the funds. The other two transactions moved funds onto the remote meter before receiving Division approval.

Because of incomplete records, we could not confirm if the four remote meter billing transactions identified during testing were the only instances when Division funds were improperly obtained for remote meters. In addition, we could not determine the total number of times customer agencies loaded Division funds onto their remote meters or the dollar amount.

Unapproved transactions were caused by a few factors. The Mail Guide does not contain adequate instructions for how customer agencies should use their remote meters. This guide was created by the Division to assist customer agencies in using mail services. However, the guide has not been distributed to customers. Finalizing and distributing the Mail Guide would provide customer agencies with a set of instructions detailing how to properly load funds onto remote meters through the Division's postage accounts and help increase oversight of the accounts.

In addition, the Division is not effectively monitoring how customer agencies with remote meters access funds in the Division's postage accounts. The Division indicated customer agencies can obtain up to \$10,000 of Division funds in a single remote meter transaction and can complete an unlimited number of transactions. At one point during our audit period, the Division's two postage accounts had a combined high balance of over \$718,000. This makes the Division vulnerable to fraud. An individual could load the Division's funds onto a remote meter, print excessive postage on an envelope, and then collect a refund at their local post office.

Criminal Background Checks Needed

The Division did not ensure criminal background checks were completed of its permanent employees. A lack of background checks leaves sensitive information vulnerable to persons with unknown criminal histories and increases the likelihood of identity theft. Clerks in the Carson City facility routinely have access to personally identifiable information as they produce mail for the Division's customer agencies. For instance, clerks process paperwork containing sensitive information such as individuals' Social Security numbers; home addresses; and personal identification numbers for their public assistance benefits accounts. Documents with this sensitive information were routinely observed left unprotected on the shop floor of the Division's Carson City facility.

The Division also did not request criminal background checks of its temporary staff. During our audit period, seven different temporary staff members worked as mail clerks. In other words, up to 30% of the Division's Carson City clerk positions were filled

by temporary staff during some months. On average, these temporary staff only remained at the Division for about 2 months.

State law authorizes agencies to request a background check of any person they intend to employ or contract with. Amongst other things, agencies are also required to take reasonable security measures to protect confidential information from unauthorized access, acquisition, use, and disclosure. Similarly, state policy requires the head of each state agency to ensure that records are protected from unlawful removal, misuse, or alteration.

The USPS requires background checks of all its permanent and temporary staff. While the USPS delivers mail, the Division also assembles mail during its production operations. This means that unlike USPS workers, mail clerks can access the contents of letters. Therefore, the Division's background check policy should be at least as stringent as that of the USPS.

Recommendations

1. Develop written policies and procedures establishing controls to prevent and detect unusually large, suspicious metering transactions and document the origins, quantity, and dollar amount.
2. Develop and implement policies and procedures to document and track the collection of a refund from the USPS and to ensure the timely distribution of the refund to the appropriate customer agencies.
3. Train staff and enforce controls to ensure clerk credentials over postage metering and production services are documented.
4. Develop a method to physically secure envelope errors so they are not vulnerable to improper access.
5. Develop written policies and procedures to track and ensure the timely collection and accurate distribution of envelope error refunds to agencies.
6. Finalize and distribute the Mail Guide to customer agencies, including guidance regarding the proper use of remote meters.

7. Formalize all policies and procedures and regularly train staff on key mail processes.
8. Develop and maintain an accurate record of agencies with remote meters connected to the Division's postage accounts and periodically evaluate the need for each meter, removing any unjustified meters.
9. Enhance remote meter controls to enforce prior approval and monitoring of the transfer of funds in postage accounts.
10. Ensure completion of criminal background checks on all temporary and permanent employees.

Enhanced Billing Controls Can Increase Accuracy

The Division does not have a sufficient process to ensure it accurately bills customer agencies. System errors caused the Division to over and underbill customer agencies for services provided. Unusually large, suspicious transactions and remote meters also created additional billing inaccuracies. Furthermore, insufficient review of billings led the Division to underbill for certain production work. This also created waste because the Division had to absorb the cost of some work as a loss. Inadequately trained staff and a lack of formalized policies and procedures contributed to these billing issues. Ensuring billings are accurate and adequately supported is essential to safeguarding state resources.

Overview of the Billing Process

The Division works with the Department of Administration, Administrative Services Division (ASD) to complete agency billings. The Division gathers postage metering data from its postage metering system. It also gathers data for its other postage operations such as business reply, postage due, private courier, and remote meters. This data is stored in spreadsheets outside of the postage metering system.

All this data is then sent to ASD through the Division's mail management system. While the postage metering system includes data for mail that has been metered, the mail management system combines data from all the Division's postage, interdepartmental, and production operations. ASD calculates how much each of the Division's customer agencies should be charged for the various categories of work. ASD then distributes invoices for these charges to the relevant customer agencies.

Metering Data Contained Significant Errors

Postage metering data used by the Division to generate billings contained significant system errors. The Division's choice to move some of its postage meters resulted in duplicated charges and flawed counts of the amount of mail it processed.

Transactions incorrectly recorded shortly after midnight also led to billing inaccuracies. This caused the Division to absorb some portion of these transactions as a loss. Lastly, the Division gave inaccurate billing data to ASD, which led to billing errors.

System Errors Created Billing Inaccuracies

The Division did not identify or prevent postage metering system errors that led to billing inaccuracies. These system errors included:

- Errors from Moving Postage Meters – The Division temporarily disconnected some of its postage meters from the computer network to physically move them. The vendor advised against this, but the Division repeatedly did so. We reviewed the 206,623 metering transactions over our 18-month audit period provided by the Division and found three system errors caused by moving postage meters. This resulted in more than \$4,400 being double-billed to customer agencies. While the amount of money is minimal, double-billings are concerning because they cause customer agencies to waste state funds. These three errors also inflated the count of mail processed by the Division by roughly 29 million pieces, but the Division could not provide documentation for how it adjusted these errors out of the billing data it gave to ASD.
- Transaction Recording Errors – We found 1,052 of 206,623 metering transactions were incorrectly recorded shortly after midnight. These transactions amounted to almost 1.6 million pieces of mail totaling over \$756,000. The Division stated that these transactions were inaccurately recorded in the middle of the night because of system errors in its postage metering system. The Division could not confirm if any of these transactions were valid and simply recorded at the wrong time, or if they represented work not actually completed by the Division.

The Division indicated that it absorbed a portion of these transactions as a loss but could not provide documentation of the amount. It further indicated that it billed customer agencies for the remaining portion of these transactions, but could not provide the invoices.

Inaccurate Billing Data Sent to ASD

The Division sent inaccurate postage metering billing data to ASD, creating billing errors. Our testing revealed more than \$83,000 in underbillings and nearly \$59,000 in overbillings. Our testing also found nearly \$178,000 that was billed to customer agencies, but the Division could not provide documentation for any of this postage metering. Due to data limitations and incomplete records, we could not determine the exact amounts of these inaccuracies.

Underbilling puts the Division's budget at risk because the Division does not receive General Fund appropriations and its operations depend on the revenue it collects. On the other hand, overbilling causes customers to pay more than they should and undermines the cost-saving function of the Division. Finally, charging for work that cannot be documented weakens the Division's ability to justify its billings.

The Division used its old postage metering system for 16 months of our 18-month audit period. We reviewed all 16 months of this billing data by comparing a version provided by the Division, the historical version sent to ASD, and a version we generated directly from the old postage metering system. This new system does not have an equivalent report and therefore does not have similar consistency issues. The billing errors and missing documentation caused by the old system's inaccurate reports are summarized in Exhibit 5.

Billing Errors and Missing Documentation**Exhibit 5**

Month	Underbilling	Overbilling	Undocumented Billing
January 2022	\$68,707	\$ -	\$ -
February 2022	2,843	-	-
March 2022	8,761	-	-
April 2022	394	-	-
May 2022	2,507	-	-
June 2022	-	2,858	-
July 2022	-	4,056	-
August 2022	-	48,500	-
September 2022	-	-	55,768
October 2022	-	-	-
November 2022	-	-	-
December 2022	-	3,423	59,579
January 2023	-	-	62,441
February 2023	-	-	-
March 2023	-	-	-
April 2023	-	-	-
Totals	\$83,212	\$58,837	\$177,788

Source: Auditor analysis of billing data contained in the Division's postage metering system.

Suspicious Metering Transactions Created Billing Inaccuracies

Unusually large, suspicious transactions created additional billing inaccuracies. Some of these inaccuracies caused customer agencies to overpay, while others put the Division's budget at risk. For instance, 6 of 10 overpaid envelopes described on page 10 of this report were double-billed. This caused customer agencies to pay nearly \$3,300 on top of the \$8,400 already charged for these 10 envelopes. While this is not a large amount, it wastes state resources. Moreover, these double-billings are especially concerning because they were caused by suspicious transactions for individual envelopes that were already significantly overcharged. Because the Division could not provide nearly \$273,000 in metering data, we cannot confirm if additional double-billings occurred.

Other transactions led to underbilling. Two of 11 remote meter billing transactions tested were not billed to the customer agency. This amounted to over \$1,800 in unbilled remote meter postage. Because of incomplete records, we cannot confirm if these were the only unbilled remote meter postage transactions.

Production Billing Error Caused Underbilling

While not a significant amount, underbilling agencies puts the Division's budget at risk of shortfalls. Accurate billing is especially important to the Division because it does not receive General Fund appropriations and instead operates on the revenue it collects from its fees.

The formula the Division used to calculate its production charges contained an error that caused the Division to systematically undercharge for production work. During our audit period, the Division's policy was to charge for production work per 1,000 pieces of mail produced.

The Division could not provide documentation for much of its production work, and the documentation that was present was often inaccurate. For instance, customer work orders and clerk paperwork were often missing or contained incomplete and inaccurate information. This prevented us from determining the total value of production underbilling during our audit period. The formula error caused the Division to underbill by about 9%.

Underbilling customers for production work prevents the Division from being reimbursed for all of its costs and is wasteful. Underbilling also endangers the Division's budget because it does not receive General Fund appropriations and must fund its operations with the revenue it collects. Additionally, the Division's inability to provide documentation for much of its production activity leaves it unable to support its work and customer billings.

The Division revised its fee structure and production charges for fiscal year 2024. Considering the nature and scope of the errors previously noted in this audit, the new production fee spreadsheet should be thoroughly reviewed to ensure no formula errors exist.

All of the system errors, billing inaccuracies, and missing documentation described in this chapter were caused by the Division not finalizing its policies and procedures and training staff on these processes. For instance, the Division's draft policies and procedures require billing data to receive three levels of review before being sent to ASD. However, the Division indicated that it frequently does not perform all three reviews. Furthermore, the

draft policies and procedures do not adequately detail how billing data should be reconciled during these reviews. Having clear policies and procedures and training staff accordingly reduces the risk of such errors occurring or not being detected.

Recommendations

11. Develop policies and procedures for monitoring, documenting, and resolving the occurrence of system errors in metering data.
12. Finalize policies and procedures and train staff on billing data processes including data input, review, and submission to the Administrative Services Division, to ensure the accuracy of agency billings.
13. Review formulas used in the new production fee spreadsheet to ensure charges are accurately calculated.
14. Ensure mail production activities are adequately documented and documentation is maintained to support customer billings.
15. Finalize and enforce policies and procedures over production billing to ensure it is properly reviewed to identify and correct any production charge errors.

Appendix A

Audit Methodology

To gain an understanding of the Mail Services Division (Division), we interviewed staff and reviewed statutes, regulations, and policies and procedures significant to the Division's operations. We also reviewed financial information, prior audit reports, budgets, legislative committee minutes, and other information describing the activities of the Division. In addition, we documented and assessed internal controls over processing state mail and billing for services.

Our audit included a review of the Division's internal controls significant to our audit objectives. Internal control is a process effected by an entity's management and other personnel that provides reasonable assurance the objectives of an entity will be achieved. Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity. The scope of our work on controls over processing state mail and billing for services included the following:

- Demonstrate commitment to integrity and ethical values; exercise oversight responsibility; establish structure, responsibility, and authority; demonstrate commitment to competence; and evaluate performance and enforce accountability (Control Environment);
- Define objectives and risk tolerances; identify, analyze, and respond to risks; assess fraud risk; and identify, analyze, and respond to changes (Risk Assessment);
- Design control activities; design information system control activities; and implement control activities through policy (Control Activities);

- Use quality information; communicate internally; and communicate externally (Information and Communication); and
- Perform monitoring activities and evaluate issues and remediate deficiencies (Monitoring).

Deficiencies and related recommendations to strengthen the Division's internal control systems are discussed in the body of this report. The design, implementation, and ongoing compliance with internal controls is the responsibility of Division management.

To analyze the Division's metering system data, we obtained postage data for our 18-month audit period. The original version of the Division's postage metering system data was not in a usable format. Therefore, we reformatted the data and combined it into monthly files to fix these issues. We also spoke with Division personnel to confirm that our reformatting was appropriate. The finalized postage metering dataset contained all the postage metering data provided by the Division and included 206,623 metering transactions for our audit period.

To assess the reliability of metering data stored in the Division's postage metering systems, we tested the accuracy of the data by randomly selecting 5 months from our 18-month audit period and then randomly selecting one customer agency account from within each of those months. We then generated a report of that account's monthly activity. We traced the selected customer accounts from the reports we generated back to the metering data maintained in the systems. Similarly, we tested for completeness by randomly selecting another 5 months from the 18-month audit period and then randomly selecting one customer account from each of those months. We generated another set of reports and traced the selected customer accounts from the system back to the reports. Further, we reviewed all 206,623 metering transactions during our audit period for unusual charges. We determined the metering data to be sufficiently reliable for our intended purposes.

To determine if unusually large, suspicious metering transactions were valid, we reviewed the 206,623 transactions during our audit period for obvious errors and anomalies. We compared these transactions to standard United States Postal Service (USPS) rates and identified transactions for first-class, metered, domestic letters that were overcharged. We then traced the 10 transactions with the highest cost relative to standard USPS rates to the agency billings. We also tested these transactions for double-billing and confirmed that they were billed to the correct agency budget account. Our test results were discussed with Division management.

To assess the reliability of remote meter data, we reviewed the Division's vendor postage accounts and agency billings. During our audit period, the Division used two different mail management systems to deliver billing data to Administrative Services Division (ASD). The old system was Transport Management System (TMS) and the new system was SharePoint. Data limitations prevented us from determining the population size of remote meter transactions in the postage accounts, so we judgmentally selected five remote meter transactions and traced them from the postage accounts to TMS/SharePoint. Our judgmental selection was based on dollar amount, if the transaction occurred outside normal business hours, and how often funds were moving to that meter. This limitation was disclosed earlier in the report.

We then randomly selected 5 of 49 remote meter billing transactions and traced them from TMS/SharePoint to the Division's postage accounts. We determined this data had limitations. To address these limitations, we obtained and reviewed hard copies of agencies' requests for remote meter postage. We identified 49 remote meter billings and judgmentally selected 11 to test for Division approval prior to placing funds onto the remote meters. Our judgmental selection was based on dollar amount and how often funds were moved to that meter. We also analyzed the Division's postage accounts balances. A listing of meters with access to these accounts was compiled and discussed with management. The Division could not identify 16 of 33 active meters connected to its postage accounts. This was disclosed as a limitation earlier in the report.

To evaluate access to confidential mail documents, we confirmed that the Division does not request background checks for its permanent or temporary employees. We then identified the number of permanent and temporary staff during our audit period. For temporary staff, we reviewed staffing agency contracts for criminal background check requirements. We also compared the Division's background check policies to those of the USPS and reviewed relevant statutory authority. Lastly, we spoke with Division personnel about the types of confidential material they work with and directly observed some of these documents during our audit work.

To determine the extent of training provided to staff, we held several conversations with Division personnel. We also reviewed the training recorded in the state's Human Resources Data Warehouse. Additionally, we reviewed the Division's onboarding packet and its draft policies and procedures manual.

To determine the accuracy of the Division's billing spreadsheets, we obtained production and business reply mail spreadsheets. We reviewed these spreadsheets for formula calculation errors and compared the Carson City and Las Vegas spreadsheets to identify any differences. We then randomly selected a 3-month period and reviewed the spreadsheets for errors that would impact the Division's billings and determined the dollar amount of these billing errors. The Division was unable to provide documentation for 7 of the 65 workdays in our 3-month period; therefore, we could not determine the total dollar amount of underbilling for production work performed during the entire period covered by the audit. This limitation was also disclosed earlier in the report.

To determine the accuracy of the Division's postage metering billing, we obtained postage metering billing data for 16 months of our 18-month audit period. These months were selected because this is when the old postage metering system was in use and prior reviews uncovered inconsistencies in this system's reports. We compared multiple versions of this data by reviewing the version provided by the Division, the historical version ASD used to bill customer agencies, and the version we generated directly from the Division's old postage metering system. The old postage

metering system was in use for 16 of the 18 months in our audit period, so we tested the three versions of the data for all 16 of these months. We discussed with management the discrepancies identified.

We used nonstatistical audit sampling for our audit work, which for these analyses was the most appropriate and cost-effective method for concluding on our audit objectives. Based on our professional judgement, review of authoritative sampling guidance, and careful consideration of underlying statistical concepts, we believe that nonstatistical sampling provided sufficient, appropriate audit evidence to support the conclusions in our report. We did not project the exceptions to the population.

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.

Our audit work was conducted from January 2023 to May 2024. In accordance with Nevada Revised Statute 218G.230, we furnished a copy of our preliminary report to the Administrator of the Mail Services Division. On December 10, 2024, we met with agency officials to discuss the results of the audit and requested a written response to the preliminary report. That response is contained in Appendix B, which begins on page 29.

Contributors to this report included:

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Appendix B

Response From the Mail Services Division

Joe Lombardo
Governor



Joy Grimmer
Director

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Administrator

STATE OF NEVADA
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December 20, 2024

Daniel L. Crossman, CPA, Legislative Auditor
Legislative Counsel Bureau, Audit Division
401 S. Carson Street
Carson City, NV 98701-4747

Dear Mr. Crossman,

Enclosed please find the Mail Services Division's response to the Legislative Auditor's report on operations and billing processes. The Division accepts all fifteen recommendations. Please accept this letter as our formal response, including an overview of actions taken or planned to be taken to address the audit recommendations. We remain committed to excellence and compliance in our operations. Should you require any additional documentation or clarification regarding this response, please do not hesitate to contact me.

1. Develop written policies and procedures establishing controls to prevent and detect unusually large, suspicious metering transactions and document the origins, quantity, and dollar amount.

Response: The Mail Services Division agrees with this recommendation.

The audit was conducted on postage tracking software that the Mail Services Division no longer uses. There were many ongoing errors with the data from the former G2 EMS software. The software would go offline, and the charges would not be attached to an account. Additionally, the software required the total postage be applied to a single piece and single budget account. This caused unusually large and suspicious transactions. Mail Services has not experienced these errors with the new tracking system and equipment. The Mail Services Administrator ran a year-to-date report upon completing this response and found no suspicious large transactions. Mail Services will develop policies and procedures to use if these errors occur and will properly document steps to address such issues.

2. Develop and implement policies and procedures to document and track the collection of a refund from the USPS and to ensure the timely distribution of the refund to the appropriate customer agencies.

Response: The Mail Services Division agrees with this recommendation.

Mail Services has changed its methodology for refunding postage to customers since the audit occurred. Mail Services only refunds the customer for postage when it is the agency at fault for the refund needed. Otherwise, if it is an equipment or user error on the side of Mail Services, postage charges on envelopes are moved from the customer budget account to Mail Services BA 1346 and Mail Services accepts the refund. Postage on envelopes is now tracked internally via a spreadsheet with a formula deducting 10% to give an estimate on the expected refund amount. This is periodically checked (weekly) by the Program Officer 1 to ensure refunds have been received. If a refund has not been received, the Program Officer will reach out to the Post Office to check the status and notate any discrepancies on the spreadsheet. We look forward to sharing these updated policies and procedures.

3. Train staff and enforce controls to ensure clerk credentials over postage metering and production services are documented.

Response: The Mail Services Division agrees with this recommendation.

Clerks are required to enter a unique password to access postage machines for postage application, our procedures require that staff log out of the machine when away from the machine. Staff are held accountable for any errors of processing under their name in the system. Staff working inserters (production) are required to log in under their name and to complete a job log report and turn that into the Program Officer showing mail processed for the day. Program Officer 1 and 2 review transactions daily to check for discrepancies and unusual transactions. If a discrepancy is found, it is to be investigated and if possible corrected. If for whatever reason a transaction cannot be corrected, it will be notated with the proper justification in the postage software, the monthly billing physical file, and in the monthly billing S: drive folder.

4. Develop a method to physically secure envelope errors so they are not vulnerable to improper access.

Response: The Mail Services Division agrees with this recommendation.

Envelope errors with postage applied are now secured in the Program Officer 1's office with a locked door. Mail Services is acquiring a second locking cabinet for these envelopes to be further secure. In the audit, envelopes were found in an unsecured location in the supervisor's office.

5. Develop written policies and procedures to track and ensure the timely collection and accurate distribution of envelope error refunds to agencies.

Response: The Mail Services Division agrees with this recommendation.

Mail Services will write policies and procedures for this finding. The Program Officer 1 currently tracks both envelope refunds as well as sorter postage refunds. The refund amount is entered into an Excel spreadsheet. Once received, it is indicated as so in the spreadsheet and sent to ASD for processing. The policies and procedures will require follow-up on these refunds if not received. Most refunds now received are refunded to Mail Services. When there is an envelope error caused by Mail Services staff or equipment, those transactions are moved to BA 1346 and refunded directly. In the event that the agency is at fault (for example due to a bad document that was already inserted, but has not yet been received by USPS), Mail Services will track the refund and have that refund transferred to the agency. The policies and procedures will outline acceptable timeframes to obtain refunds from USPS.

6. Finalize and distribute the Mail Guide to customer agencies, including guidance regarding the proper use of remote meters.

Response: The Mail Services Division agrees with this recommendation.

Although Mail Services has enforced having written acknowledgements from agencies, we have yet to distribute a Mail Guide for rural customers and remote meters. Mail Services will create this guide to be distributed to all rural customers. The new Pitney Bowes shipping option ties user emails to transactions. This is a new feature outside of rural postage machines.

7. Formalize all policies and procedures and regularly train staff on key mail processes.

Response: The Mail Services Division agrees with this recommendation.

Mail Services will finalize its policies and procedures for staff on key mail processes. This will include signing in and signing out of equipment, error reports, required production logs, etc. This will also include policies and procedures for supervisory and administrative staff.

8. Develop and maintain an accurate record of agencies with remote meters connected to the Division's postage accounts and periodically evaluate the need for each meter, removing any unjustified meters.

Response: The Mail Services Division agrees with this recommendation.

There is a discrepancy between the number of meters actually requesting meter fills verses the number of meters that appeared in the data provided to the auditor through G2 EMS and the vendor representative. Mail Services Program Officer 1 and 2 and the Administrator check the Myquadiant account anytime a request is made by an agency and again at the end of the month to investigate if there were any deductions that were not accounted for or approved. If a discrepancy is found, Mail Services contacts the customer to obtain proper back up for the request. Mail Services has also updated all current agency addresses in the system so that the deduction is associated with a customer address. Mail Services will need to work with vendor Quaident to have meters no longer associated with Mail Services removed from the list.

9. Enhance remote meter controls to enforce prior approval and monitoring of the transfer of funds in postage accounts.

Response: The Mail Services Division agrees with this recommendation.

The Program Officer 2 is currently enforcing prior approval for transfer of funds. The Program Officer will reach out to an agency if a transfer is made without approval and obtain that back up. Again, Mail Services intends on providing a guide to these customers for future use. Mail Services administrative staff are to review transactions in the web portal, review requests, and review the billing entries made into Sharepoint for accuracy.

10. Ensure completion of criminal background checks on all temporary and permanent employees.

Response: The Mail Services Division agrees with this recommendation.

Mail Services has reached out to the Division of Human Resource Management to ensure background checks will be a regular part of the recruitment process moving forward. We are still waiting for a response currently.

11. Develop policies and procedures for monitoring, documenting, and resolving the occurrence of system errors in metering data.

Response: The Mail Services Division agrees with this recommendation.

Mail Services will write policies and procedures for the above. Mail Services administrative staff are continually working with the vendors to resolve software issues and settings to ensure proper tracking of pieces. Mail Services has eliminated most transactions appearing as "unassigned" by working with the vendor and updating software settings. As previously stated, the unusually large transactions are no longer appearing in the currently used software.

12. Finalize policies and procedures and train staff on billing data processes including data input, review, and submission to the Administrative Services Division, to ensure the accuracy of billings.

Response: The Mail Services Division agrees with this recommendation.

Mail Services has written these policies and procedures, and they are ready for review and distribution.

13. Review formulas used in the new production fee spreadsheet to ensure charges are accurately calculated.

Response: The Mail Services Division agrees with this recommendation.

Regarding the production charges, Mail Services agrees with the findings that the old system had errors and was not billing appropriately based on the listed methodology to bill

per 1000 pieces. Mail Services has since updated production billing to be charged at a flat rate per piece based on the job type for example, pressure sealing, fold and insert, or intelligent insert. This error should now be corrected with the new billing method.

14. Ensure mail production activities are adequately documented and documentation is maintained to support customer billings.

Response: The Mail Services Division agrees with this recommendation.

Mail Services is aware that data was missing that was requested by the Auditor and has taken steps to ensure that production records are properly stored physically and in the S: drive moving forward. The current postage tracking software also allows for notes to be added to any manual adjustments needed caused by errors.

15. Finalize and enforce policies and procedures over production billing to ensure it is properly reviewed to identify and correct any production charge errors.

Response: The Mail Services Division agrees with this recommendation.

Mail Services accepts this recommendation and will be working to finalize policies and procedures regarding production billing to customer agencies to ensure they are properly reviewed, and discrepancies are addressed and documented.

Sincerely,



James Gast, Administrator
Email: jgast@admin.nv.gov
Phone: 775-684-1864

Mail Services Division's Response to Audit Recommendations

<u>Recommendations</u>	<u>Accepted</u>	<u>Rejected</u>
1. Develop written policies and procedures establishing controls to prevent and detect unusually large, suspicious metering transactions and document the origins, quantity, and dollar amount	<u>X</u>	<u> </u>
2. Develop and implement policies and procedures to document and track the collection of a refund from the USPS and to ensure the timely distribution of the refund to the appropriate customer agencies	<u>X</u>	<u> </u>
3. Train staff and enforce controls to ensure clerk credentials over postage metering and production services are documented	<u>X</u>	<u> </u>
4. Develop a method to physically secure envelope errors so they are not vulnerable to improper access	<u>X</u>	<u> </u>
5. Develop written policies and procedures to track and ensure the timely collection and accurate distribution of envelope error refunds to agencies.....	<u>X</u>	<u> </u>
6. Finalize and distribute the Mail Guide to customer agencies, including guidance regarding the proper use of remote meters	<u>X</u>	<u> </u>
7. Formalize all policies and procedures and regularly train staff on key mail processes.....	<u>X</u>	<u> </u>
8. Develop and maintain an accurate record of agencies with remote meters connected to the Division's postage accounts and periodically evaluate the need for each meter, removing any unjustified meters	<u>X</u>	<u> </u>
9. Enhance remote meter controls to enforce prior approval and monitoring of the transfer of funds in postage accounts.....	<u>X</u>	<u> </u>
10. Ensure completion of criminal background checks on all temporary and permanent employees	<u>X</u>	<u> </u>
11. Develop policies and procedures for monitoring, documenting, and resolving the occurrence of system errors in metering data.....	<u>X</u>	<u> </u>
12. Finalize policies and procedures and train staff on billing data processes including data input, review, and submission to the Administrative Services Division, to ensure the accuracy of agency billings.....	<u>X</u>	<u> </u>
13. Review formulas used in the new production fee spreadsheet to ensure charges are accurately calculated	<u>X</u>	<u> </u>

Mail Services Division's Response to Audit Recommendations (continued)

<u>Recommendations</u>	<u>Accepted</u>	<u>Rejected</u>
14. Ensure mail production activities are adequately documented and documentation is maintained to support customer billings.....	<u>X</u>	<u> </u>
15. Finalize and enforce policies and procedures over production billing to ensure it is properly reviewed to identify and correct any production charge errors	<u>X</u>	<u> </u>
TOTALS	<u>15</u>	<u> </u>