

Audit Highlights



Highlights of performance audit report on the Nevada State Library and Archives, Mail Services issued on January 7, 2014. Legislative Auditor report # LA14-10.

Background

The Nevada State Library and Archives (NSLA) is a division of the Department of Administration and is responsible for providing full access to a range of information services that enhance the quality of life for all and center on creating an educated and enlightened citizenry, while supporting the interests of the State.

Support for NSLA's activities are recorded in six budget accounts. NSLA's funding sources for fiscal year 2013, consist mainly of service fees, general fund appropriations, and receipts from other governments. Of the almost \$13 million in total funding sources, nearly \$6.4 million or 51% were derived from mail service delivery. Further, in fiscal year 2013, NSLA had expenditures of \$12.5 million of which \$5 million or 40% related to postage and parcel fees.

Mail service can be grouped into three categories: interdepartmental mail is collected and delivered from one state agency to another; postal mail is delivered by a third party; and production services include folding, inserting, and addressing envelopes.

In calendar year 2012, Mail Services processed over 14 million pieces of mail and 7 million pieces of production items. An administrative fee of roughly 18% is applied to all services and is used to fund operations.

Purpose of Audit

The purpose of our audit was to determine if the process of billing state agencies for mail service was accurate and complete. Billing activities were reviewed for calendar year 2012.

Audit Recommendations

This audit report contains two recommendations to improve oversight and control activities related to billing state agencies for mail service.

The NSLA accepted the two recommendations.

Recommendation Status

The NSLA's 60-day plan for corrective action is due on April 3, 2014. In addition, the six-month report on the status of audit recommendations is due on October 3, 2014.

Nevada State Library and Archives Mail Services

Department of Administration

Summary

Generally, Mail Services' billing process is reasonably accurate and complete; however, minor control weaknesses at Mail Services and the Administrative Services Division (ASD) of the Department of Administration could allow errors and omissions to occur and not be identified. Our review of billing documents revealed weaknesses that resulted in instances of omitted billings, duplicate charges, and improper amounts charged to state agencies for postage. Errors occurred because the process to compile and bill agencies for postage costs relies on spreadsheets and manual processes. About \$8,200 in over and under billings of state agencies occurred due mainly to formula and other errors noted on spreadsheets.

Key Findings

Mail Services relies on multiple spreadsheets and manual operations to generate agency billings. These processes are inherently susceptible to error. Some cells in spreadsheets we examined had inaccurate or non-existent totals and inconsistent formulas. In addition, some data entered manually was inaccurate and resulted in improper totals and amounts billed. These errors occurred due to the cumbersome process and inadequate review and reconciliation. (page 7)

During calendar year 2012, Mail Services and ASD sent over 3,100 billings totaling over \$6 million for postage, parcel, and production services. Billings are sent monthly to all user agencies who accumulate fees in excess of \$3. (page 7)

Our review of monthly spreadsheets for all of calendar year 2012 found some agencies were billed inaccurate amounts or were not billed at all. Examples of errors include:

- Six user agencies with fees totaling nearly \$4,200 were not billed because spreadsheet formulas were missing.
- Six agency bills included duplicate charges of about \$2,800 for postage and other fees because spreadsheet formulas were incorrect.
- In one instance, an agency was overbilled when the spreadsheet cell containing the number of mail pieces was added to the cost of postage. This formula error resulted in an overbilling of almost \$1,200. (page 8)

Additional minor billing errors occurred when data recorded on logs was manually transferred into the mail management information system incorrectly. We tested a random sample of 40 billing claims and found 5 with minor billing errors. Billing errors included the transposition of numbers, posting to the wrong budget account, and omitting the number of pieces processed. (page 9)

Although the errors found were not significant, larger errors could occur if controls are not strengthened. Posting to the wrong budget account and omitting the number of mail pieces processed could impact user agencies' budget planning and oversight. Revising written policies and procedures to include a periodic review of data manually input by a person independent of the process could help to identify errors. (page 9)