



Internal Audit

Contract Postal Unit – Plaster Student Union

June 10, 2016

Office of Internal Audit and Compliance



Missouri State
U N I V E R S I T Y

DATE: June 10, 2016

TO: Mr. Matthew Morris, Vice President for Administrative Services
Mr. Mark McCarty, Manager, Printing and Postal Services

CC: Clifton M. Smart III, University President

FROM: Donna Christian, Director of Internal Audit and Compliance
Tami Reed, Senior Auditor

RE: INTERNAL AUDIT: CONTRACT POSTAL UNIT – PLASTER STUDENT UNION

BACKGROUND

Since December 1992 Missouri State University has had a contract with the United States Postal Services (USPS) to have the University serve as a Contract Postal Unit (CPU). The University provides the location and the employee(s) to operate the CPU and the USPS provides the cash and postage inventory and pays the University \$6,000 annually.

The CPU is located in the Plaster Student Union with window service hours, as specified in the contract, of Monday through Friday from 8:00 am and 5:00 pm. Services include postage stamp sales, metered, insured, certified and registered mail, express mail, international mail and money orders.

The CPU is operated strictly on a cash basis. No checks, BearPass Cards, or credit cards are accepted. Outgoing mail and cash collections are picked up by the USPS at 3:30 p.m. daily.

One full-time employee, assisted by an employee from Copy This, operates the CPU. A summary of the cash collections during the calendar year 2015 is as follows:

Postage Stock Sales	\$	27,558
Money Orders		41,635
Money Order Fees		234
Metered Mail		<u>31,586</u>
Total	\$	<u>101,013</u>

The University Vice President for Administrative Services requested a review of the CPU current operations as well as consideration of expanding of services by allowing credit/debit card sales. Internal Audit worked closely with the USPS in providing guidance and recommendations during this audit.

OBJECTIVE AND SCOPE

The objectives of this review were to review the cash receipt procedures and controls, and to review compliance with the USPS contract and guidelines. The scope of this audit included the calendar year 2015 and the period January 1, 2016 through April 30, 2016.

SUMMARY

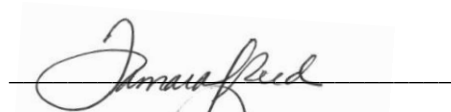
To assist the CPU in accurately reporting sales and balancing, steps to improve procedures used for daily financial reporting and verifying postage stock inventory should be considered. Cash funds should be reduced to \$100 in compliance with USPS guidelines. Stamp inventory should be managed to make the counts easier and faster. Voucher reimbursement needs to be obtained daily to comply with USPS requirements.

Overall, recommended changes will improve accountability and ensure compliance with USPS guidelines. It is commendable that the Vice President of Administrative Services and the CPU staff reached out for guidance and assistance.

Sincerely,



Donna Christian, CPA, CGFM
Director of Internal Audit and Compliance



Tami Reed, Senior Internal Auditor
Audit Field Work Completed: May 25, 2016

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Cash Funds, Sales and Daily Financial Reports

The actual daily sales amount is not transmitted to the USPS each day. Instead, the amount of sales reflected on the *Postal Service Form 1412 Daily Financial Report* includes a calculated amount based upon an even dollar amount of cash submitted with the report. For example, an arbitrary amount of cash (typically an even dollar amount such as, \$450 or \$500) is recorded on the *Form 1412*. Actual money order and meter sales amounts are subtracted from the cash and this difference is reported to the USPS as postage stock sales. However, this difference is not the amount of postage sold during the day, it is simply a calculated amount based upon the amount of cash selected to transmit to the USPS.

To assist the CPU in accurately reporting sales and balancing several changes in procedures should be considered:

- In the past year a new cash register has been purchased to replace the older model that is currently being used. The new cash register can be programmed to record transactions by the type of sales, such as individual stamps, sheets of stamps, coils, registered, certified, etc. This would help in both the daily financial reporting and assisting in identifying any discrepancies that may occur.
- Maintaining an imprest cash balance in the cash register would also aid in daily balancing procedures. Beginning cash funds fluctuated from day to day since actual daily sales are not transmitted. During January 2015 to April 2016, cash fund fluctuated from \$2,298 to \$587. The USPS Handbook PO 209, Section 12-7.3 specifies that Contract Postal Units may keep \$100 or 10 percent of their stamp credit, whichever is less.
- Postage stock inventory is combined with cash on the *Form 1412* making it impossible to differentiate between postage stock balances and cash. The form allows these two amounts to be reported separately which would provide more detail to enable daily balancing
- Currently the daily cash deposit is prepared mid-day to be completed by 3:30 when the USPS courier collects the daily cash deposit, the *Form 1412* and the registered mail. To allow for an accurate daily deposit of cash receipts, the *Form 1412* should be completed either at the beginning of each day to accurately reflect the previous day's receipts or at the end of each day to accurately reflect the current day's receipts.

Recommendations:

The new cash register should be programmed and utilized, an imprest cash balance of \$100 should be established, and the *Form 1412* should accurately reflect the daily sales and postage stock on the assigned lines. Additionally, the *Form 1412* should be completed either at the beginning of each day to accurately reflect the previous day's receipts or at the end of each day to accurately reflect the current day's receipts

Management Response:

Management agrees and will implement procedures to ensure daily sales are accurately reported.

2. Cash and Postage Stock Verification

Cash and postage stock inventory is not counted and verified at consistent periodic intervals. During 2015, the cash and the postage stock inventory was only counted 15 times. In the first four months of 2016, counts were made 6 times.

For the counts that were performed, the differences varied and ranged from zero to a shortage of \$172. Without complete and accurate balancing procedures (as noted in 1 above) it is difficult to accurately determine the cause of the differences. However, since no adjustment was ever made to the postage inventory balances, it appears to indicate difference may be caused by a possible miscount.

The USPS has a zero tolerance for differences in a Contract Postal Unit. So if actual differences occur, the university would be liable for that amount. Counts should be performed on a consistent basis, such a weekly, for timely determination of any differences.

Recommendations:

Perform cash and postage stock inventory counts on a consistent periodic basis, such as weekly. All difference should be investigated to ensure the counts are accurate.

Management Response:

Cash and inventory counts will now be performed weekly with any differences reviewed to ensure accurate counts.

3. University Department Purchases and Charges

Various University departments frequently purchase postage stock, send registered, insured mail and parcels at the CPU. To make a purchase, University personnel complete a prenumbered voucher, indicating the department name, the budget number, the postage purchased, and sign the voucher to verify the purchase. CPU personnel take the vouchers to the Bursar's office to be exchanged for cash which is subsequently submitted to the USPS. The Bursar's office then submits the voucher to the Office of Financial Services to post a journal entry to charge postage expense to the appropriate department. In 2015, purchases made by University departments totaled \$8,959.

- A review of the sequential numbering of the prenumbered vouchers identified that 167 vouchers have been issued between January 1, 2015 and April 30 2016. During that time, twelve vouchers numbers are unaccountable. CPU staff indicated that when a voucher is voided it is shredded and discarded. To properly account for all vouchers, voided vouchers should be marked void and retained.
- A comparison of the voucher date to the date the voucher was submitted to the Bursar indicated that some vouchers were held up to 20 days before being submitted. According to the USPS, this practice is not acceptable as credit is not extend in any case. In order to be in direct compliance with USPS regulations, the voucher should be settled on a daily basis prior to the cash being deposit with USPS.

There has been an expressed interest by the Vice President for Administrative Services to begin accepting payment by credit card. The USPS has indicated that similar to the vouchers, a credit card settlement with the university would have to be performed on a daily basis. Internal Audit would be happy to assist in establishing a credit card process should this avenue be pursued.

Recommendations:

All voided vouchers should be marked as void and retained, and vouchers should be submitted to the Bursar and settled on a daily basis.

Management Response:

Vouchers will be submitted to the Bursar daily and voided vouchers will be retained.

4. Postage Stock Inventory

On May 9, 2016, Internal Audit performed a surprise cash and postage stock inventory count. Postage stock inventory was \$4,528.42 and cash counted totaled \$1,417.85 for a total of \$5,946.27. The financial report totaled \$5,873.77, for an immaterial difference of \$72.50.

During the postage stock inventory count, there were old stamp coils and sheets for old stamp denominations that need to be used in order to reduce the amount of stamps on hand and reduce the time it takes to do an inventory count of stamps. Postal service personnel indicated that returning stamps is not an option, but the stamps could be used when applying postage to metered mail by "wallpapering" the mail with older obsolete stamps. Steps should be taken to utilize the old, obsolete stamps to reduce inventory and make the balancing process more efficient.

Recommendations:

Use up the older obsolete stamp denominations on metered mail to help expedite the stamps counts.

Management Response:

We have initiated the process to reduce the older stamp denomination inventory.