



HAMILTON COUNTY, TENNESSEE

INTERNAL AUDIT OFFICE

To: Weston Wamp, County Mayor
Hamilton County Commissioners
Audit Committee
Sandra Ellis, Human Resources Administrator

From: Chris McCollough, County Auditor

Date: April 8, 2025

Subject: Internal Control Monitoring – *Mailroom*

Recently, our office met with various employees within the mailroom and Human Resources to review internal controls relating to the mailroom. Those staff included: Jenny Godwin, Jimmy Setliffe, Debbie Blaire, Emerald Butler, Willard Locke, James Morgan, Daniel Pace, and Darren Scealf.

This review was conducted in conjunction with TCA 9-18-102, effective June 30, 2016, which requires the implementation of written internal controls. A law concerning the state's *ongoing* duty to ensure local governments comply with Governmental Accounting Standards includes monitoring of these written internal controls.

BACKGROUND

The Hamilton County Mailroom serves as the centralized location where most of the mail and package processing functions occur for Hamilton County. The office is administered by Human Resources and provides several services to Hamilton County including picking up and delivering USPS mail, interoffice mail, and UPS mail. The mailroom has a contract with Pitney Bowes that includes a P-series and C-series postage machine. The P-series machine is used to meter the majority of the USPS mail, while the C-series machine is utilized to print labels for larger USPS packages. These machines are funded \$20,000 per month collectively and used to meter outgoing mail for departments throughout the county. The volume of outgoing mail remains consistent, except during periods when constitutional offices conduct mass mailouts. Currently, the mailroom has seven (7) employees. These employees include a mailroom supervisor, lead clerk, and five (5) mailroom clerks. The mailroom is responsible for five (5) mail routes on a daily basis, including an in-town driving route, a long walking route, a short walking route and the Gateway building.

AUDIT PROCEDURES/OBJECTIVES

Our review procedures covered the period from July 1, 2022, through January 31, 2025, and included the following:

- Meeting with key personnel to discuss their role in the department;
- Perform a walk-through of the department to assess internal controls and procedures;
- Review of mailroom policies and procedures;
- Determine whether there is any waste, fraud, and/or abuse in the mailroom;
- Review the receipting and disbursement process for errors;
- Provide ideas to improve efficiency and effectiveness of operations;
- Review the Pitney Bowes contract and monthly postage reports

The following represents a summary of the mailroom's budget for the first seven (7) months of fiscal year 2025 with comparative totals for the last two fiscal years:

	First seven (7) months of fiscal year 2025	Fiscal year ending June 30, 2024	Fiscal year ending June 30, 2023
Budget	<u>\$ 472,556</u>	<u>\$ 452,526</u>	<u>\$ 475,941</u>
Actual Salaries/Benefits Expenditures	<u>240,704</u>	<u>387,876</u>	<u>385,800</u>
Other Operating Expenditures	<u>13,544</u>	<u>11,920</u>	<u>20,881</u>
Total Expenditures	<u>254,248</u>	<u>399,796</u>	<u>406,681</u>
Unobligated Budget Balance	<u>\$ 218,308</u>	<u>\$ 52,730</u>	<u>\$ 69,260</u>

Approximately ninety-five (95) percent of the mailroom's expenditures are comprised of salaries and benefits. The other five (5) percent of expenses are for other daily operations.

AUDITORS' OPINION & FINDINGS

Currently, the mailroom is not in compliance with TCA 9-18-102 and does not have a written, updated internal control policy. **See Exhibit (A)**. Additionally, we would like to offer the following recommendations to consider.

Postage Account Balance Discrepancy

Observation – During our review, we discovered a significant variance between the county's accounting system postage balance reports and the Pitney Bowes account statements. The discrepancy occurred in 2017, and we were unable to determine the cause of the difference due to subsequent staffing changes.

Recommendation – We recommend that a designated accounting employee review the monthly Pitney Bowes account statements and verify that the balance matches the postage inventory account in Hamilton County's CentralSquare accounting system. Additionally, the variance must be written off to ensure the accuracy of the records going forward. This write-off should be completed by the end of fiscal year 2025.

Management Response – Currently, accounting receives a monthly report of postage charges by department from the mailroom. A journal entry is processed based on this report to charge postage expense to the departments based on usage. In order to address this issue, accounting staff will reconcile the current balance sheet amount with the Pitney Bowes statements and make the needed adjustment in a timely manner. In addition, we agree that someone in the accounting staff should reconcile this each month. We will instruct the accountant making the monthly entry to reconcile the balance sheet account to the available balance on the postage machine as part of the current process. In order to do this, we will need access to the Pitney Bowes statements.

Written Procedures and Policies

Observation – Currently, the mailroom operates under the Hamilton County Government's Policies and Procedures, along with a mailroom instruction manual for operational guidance.

Recommendation – The mailroom should have its own written procedures and policies tailored to the department's specific needs. This should include internal controls that are in place to prevent fraud, waste, and abuse. These policies and procedures must be completed within six months of the issuance of this report.

Management Response – I will make sure the mailroom develops and puts these into place within the time frame given.

Postage Machine Calibration

Observation – Currently, the Pitney Bowes machine's weight measuring calibration is not checked.

Recommendation – We recommend using the manual scales to check the Pitney Bowes postage machine weekly to ensure the correct postage is being charged to the county. Additionally, we recommended that the mailroom maintain records of the weekly calibration check results for audit purposes.

Management Response – I will advise the mailroom of this recommendation and have them start the record keeping of this procedure.

We appreciate the help of Human Resources and the mailroom staff in assisting us during our audit. If you have any questions regarding this report, please contact Austin Durall, Audit Manager, at 209-6211 or me at 209-6212.


Chris McCollough, County Auditor

Staff Assigned to Audit
Austin Durall, Audit Manager
Jamesetta Gray, Senior Auditor

CC: Claire McVay, Chief of Staff
David Roddy, COO
Holly Wormsley, Director of Accounting

Exhibit A

Document: Tenn. Code Ann. § 9-18-102

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Copy Citation

Current through the 2024 Regular Session.

**Tennessee Code Table of Contents PAW- ET TABLE OF CONTENTS Title 9 Public
Finances Chapter 18 Financial Integrity Act of 1983**

9-18-102. Internal controls — Management assessment of risk.

(a) Each agency of state government and institution of higher education along with each county, municipal, and metropolitan government shall establish and maintain internal controls, which shall provide reasonable assurance that:

- (1)** Obligations and costs are in compliance with applicable law;
- (2)** Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- (3)** Revenues and expenditures are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

(b) To document compliance with the requirements set forth in subsection (a), each agency of state government and institution of higher education shall annually perform a management assessment of risk.

The internal controls discussed in subsection (a) should be incorporated into this assessment. The objectives of the annual risk assessment are to provide reasonable assurance of the following:

- (1)** Accountability for meeting program objectives;
- (2)** Promoting operational efficiency and effectiveness;
- (3)** Improving reliability of financial statements;
- (4)** Strengthening compliance with laws, regulations, rules, and contracts and grant agreements; and
- (5)** Reducing the risk of financial or other asset losses due to fraud, waste and abuse.

History
