CITY AUDITOR'S OFFICE

AUDIT OF OFFICE OF COMMUNICATIONS
Print Shop and Mail Room Operations

Report CO003-1617-06

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CITY AUDITOR

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BACKGROUND

The city's Office of Communications oversees the city's print shop and mail room operations. Prior to July 2015 these work units were a part of the Department of Information Technologies.

The print shop and mail room are managed by the Director of Communications, the Public Affairs Manager, and the Print and Graphics Supervisor. The print shop employees include the Print Media Service Representative and the Print Media Operator. The mail room employees include three mail clerks.

The print shop staff coordinate the printing of routine mailings from various city departments/divisions including Finance, Planning, Business Licensing, Parking, and the Municipal Court. Sewer bills are the largest routine printing of the print shop. In addition, the print shop works with the graphics work unit in the creation and printing of custom print jobs from city departments. The print shop utilizes print management software (PrintSmith) for recording and costing print jobs.

The mail room staff oversee the processing of the city's mail. Outgoing mail is either metered in-house or provided to a presort vendor for processing.

OBJECTIVES

Our objectives in completing this audit were to:
- Assess the adequacy of the information being gathered on print jobs for identification of the current status of jobs and for evaluation of the efficiency of the operation by management.
- Determine whether the methodology being followed for job costing is appropriately documented and whether a formal process exists for updating the components of the job costs (e.g., labor, materials, space, etc.).
- Determine whether print shop and mail room materials are being properly purchased, stored, and secured.
- Determine whether invoices from the presort vendor are being properly reviewed.
- Determine whether advanced deposit fund balances are being adequately monitored.
- Identify policies and procedures needing to be documented.

SCOPE AND METHODOLOGY

The scope of this audit was limited to a review of transactions from July 2015 (the month in which the print shop and mail room moved to the Office of Communications) through December 31, 2016. The scope of our work on internal controls was limited to the controls within the context of the audit objectives and the scope of the audit. Testing samples were judgmentally

selected from transactions since July 2015. The last fieldwork date of this audit was March 20, 2017.

Our audit methodology included:
- Review of applicable policies and procedures
- Interviews with staff members and other city employees
- Review of various data, documents, and reports

We conducted this performance audit in accordance with generally accepted government auditing standards except for the requirement for an external peer review every three years. 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. The exception to full compliance is because the City Auditor's Office has not yet undergone an external peer review. However, this exception has no effect on the audit or the assurances provided.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

The following conclusions to our audit objectives were noted:

To assess the adequacy of the information being gathered on print jobs for identification of the current status of jobs and for evaluation of the efficiency of the operation by management.

The current process from print job submission to production continues to be a manual process that requires the same information to be recorded multiple times. There is a lack of print job information being captured to effectively manage the print shop and assess its performance. (Finding #1)

To determine whether the methodology being followed for job costing is appropriately documented and whether a formal process exists for updating the components of the job costs (labor, materials, space, etc.).

The print job costing methodology is not documented and there is no process for reviewing and updating the job costing factors. The job costing factors have not been recently updated. (Finding #2)

To determine whether print shop and mail room materials are being properly purchased, stored, and secured.

The city's Safety/Loss Control Officer identified areas of concern relating to the utilization of work area space and storage of inventory that need to be addressed. (Finding #8)

To determine whether invoices from the presort vendor are being properly reviewed.

The mail presort vendor invoices are not being adequately reconciled to print shop records and the process has not been formalized and documented. (Finding #4)

To determine whether advanced deposit fund balances are being adequately monitored.

There is no formalized methodology for when to replenish the three advanced deposit accounts used by the city to pay for postage. In addition, there is no documented reconciliation of the activity within these accounts and supporting detailed transaction reports are not retained. (Finding #3)

To identify policies and procedures needing to be documented.

The print shop and mail room have not documented policies and procedures for its operations. (Finding #5)

The print shop and mail room have not documented policies and procedures for city employees utilizing their services. (Finding #6)

Other

The current process used by the mail clerks for tracking packages and certified and registered mail (tracked mail) and obtaining signatures of recipients is inefficient, prone to human error, and information on the delivery of this mail is not easily accessible. (Finding #7)

Further information on these issues is contained in the sections below. While other issues were identified and discussed with management, they were deemed less significant for reporting purposes.

1. Print Job Processing Inefficiencies and Inadequate Information

Criteria

Increased efficiencies are achieved when redundant recording of information is minimized. The input of the same data values into multiple systems creates operational inefficiencies and the potential for inconsistent data.

Readily accessible operational information is essential to the management and evaluation of the performance of an operation.

Condition

The current process from print job submission to production is a manual process that requires the same information to be recorded multiple times. A city employee requesting a print job must manually complete a job request form (known as a GA1) and submit this form to the print shop. The information on this form is then duplicated by a print shop employee in PrintSmith for job costing and preparation of accounting reports.

There is a lack of print job information being captured to effectively manage the print shop and assess its performance. For example, the following information is not readily available:
- Real time status of print jobs as they move from submission through production
- Print jobs in queue
- Deadlines for submitted print jobs
- Print jobs completed prior to and after deadlines
- Number of days to complete individual jobs
- Print jobs outsourced along with justification for outsourcing

While print jobs are recorded in PrintSmith, this information is not used for scheduling and tracking the status of jobs. Many of the routine jobs are not input into PrintSmith until the end of the month.

Performance expectations for the print shop employees have not been established.

Cause

- Manual process
- Limitations to the functionality of the print management software

Effect

- Redundant recording of information
- Inadequate operational information available to management

Recommendations

1.1   Office of Communications management should evaluate and document what process or system enhancements can be made to reduce the amount of recording of redundant information and develop an implementation plan.

1.2   Office of Communications management should implement process or system enhancements where at a minimum the following print job information is captured and made available for management:
- Real time status of print jobs as they move from submission through production
- Print jobs in queue
- Deadlines for submitted print jobs
- Print jobs completed prior to and after deadlines
- Number of days to complete individual jobs
- Print jobs outsourced along with justification for outsourcing

1.3   Office of Communications management should document performance expectations for the print shop.

2.   Lack of Formalized Process for Updating Job Cost Factors

Criteria

The factors used in calculating the cost of print jobs should reflect the current production costs and the methodology should be documented.

Condition

The print shop calculates the cost to process individual print jobs using PrintSmith. The cost for these print jobs are based on various factors input into PrintSmith including labor costs per hour, material costs, and standard times to complete the elements of the job.

There is no documented methodology for the job costing factors within PrintSmith and there is no process in place for reviewing and updating these factors. In addition, there are markups applied for certain services. The rationale for these markups has not been documented.

The costing factors within PrintSmith are not being reviewed or updated as evidenced by the following:
- Product identification numbers and vendor names within PrintSmith do not reflect current information on material purchases.
- 73% of the paper prices within PrintSmith have not been updated since 2014 and none of the envelope prices have been updated since 2013.

- Several different labor rates were found being used within PrintSmith for different print services.
- A typo was identified for a printing service in which the labor rate within PrintSmith is $500 per hour while other similar services are $50 per hour.

Cause

- Job costing methodology is not documented.
- Lack of process for keeping costing factors current.
- Supervisor who established job costing factors is no longer with the city.

Effect

- Job costing factors may not reflect current costs.
- Potential for incorrect cost recovery from departments.

Recommendations

2.1   Office of Communications management should review and evaluate the appropriateness and complexity of its current job costing methodology. The methodology should then be documented.

2.2   Office of Communications management should update the costing factors in its print management software as needed to coincide with its job costing methodology.

2.3   Office of Communications management should document and implement a process for keeping the job costing factors within its print management software current and accurate.

3.   Inadequate Account Funding Methodology and Reconciliation

Criteria

Deposit accounts should be reconciled on a regular basis to identify errors or irregularities.

Condition

There is no formalized methodology for when to replenish the three advanced deposit accounts used by the city to pay for postage. In addition, there is no documented reconciliation of the activity within these accounts and supporting detailed transaction reports are not retained.

The mail room utilizes three advanced deposit accounts to pay for postage including two United States Postal Service (USPS) permit accounts and the postage machine vendor's bank account. While the balances in these accounts are provided weekly to management for their assessment of

the adequacy of the amounts, there is no formalized methodology for when to add additional funds into these accounts (via checks or wire transfer) and there are no formal reconciliations of the activity within these accounts.

The mail room staff summarize and retain statements received with USPS business reply mail. However, this information is not currently being used for any reconciliation of the related USPS permit account.

Cause

- Lack of a formalized methodology for replenishment of the three advanced deposit accounts.
- Lack of formal reconciliation procedures for the three advanced deposit accounts.

Effect

- Potential that amounts within the advanced deposit accounts will not be sufficient to cover required postage.
- Errors or irregularities in the advanced deposit accounts may go undetected without reconciliations being performed.

Recommendations

3.1   Office of Communications management should establish and implement a formal methodology for replenishment of the three advanced deposit postage accounts.

3.2   Office of Communications management should establish a formal process for reviewing and reconciling the activity in the three advanced deposit postage accounts. The reconciliation should be documented and the supporting documentation retained.

4.   Inadequate Reconciliation of Presort Transactions

Criteria

Billing errors and irregularities can be identified through reconciliation of vendor invoices with supporting documentation.

Condition

The mail presort vendor invoices are not being adequately reconciled to print shop records and the process has not been formalized and documented. Quantity differences between the vendor's invoice and the print shop's records are not tracked or documented and the postage fees charged are not being recalculated for reasonableness.

Cause

- Lack of a formalized reconciliation process.

Effect

- Differences may go undetected and unresolved.

Recommendations

4.1   Office of Communications management should document and implement procedures for formally reconciling the presort vendor invoices to supporting internal documentation. Quantity differences should be identified and documented. Postage costs should be recalculated and reviewed for reasonableness.

5.   Lack of Documented Internal Policies and Procedures

Criteria

Documented procedures formally establish employee accountability, provide orientation and reference material for employees, and document the institutional knowledge of existing staff in case of employee turnover or extended absences.

Condition

The print shop and mail room have not documented their policies and procedures for its operations including the following areas:

Print Shop
- Print job processing procedures and use of the print management software
- Job cost methodology and updating procedures (see finding #2)
- Inventory ordering and monitoring procedures
- Year-end inventory procedures
- Creation of print job cost reports for Finance
- Outsourcing policy and procedures

Mail Room
- Mail run procedures (internal and external runs, certified mail tracking, post office pickups, etc.)
- Monitoring, replenishment, and reconciliation of advanced deposit accounts (see finding #3)
- Use of the postage metering machine
- Reconciliation of presort vendor invoices and submittal of invoices for payment
- Creation of postage expense reports for Finance

Cause

- Management has not required print shop and mail room staff to document their operational procedures.

Effect

- Lack of instructions in case of extended absence or turnover of employees.
- Inadequate procedural documentation for management to make informed decisions.
- Lack of clarity on expectations for employees.

Recommendations

5.1   Office of Communications management should document internal print shop policies and procedures. At a minimum, the following areas should be addressed:
- Print job processing procedures and use of the print management software
- Job cost methodology and updating procedures
- Inventory ordering and monitoring procedures
- Year-end inventory procedures
- Creation of print job cost reports for Finance
- Outsourcing policy and procedures

5.2   Office of Communications management should document internal mail room policies and procedures. At a minimum, the following areas should be addressed:
- Mail run procedures (internal and external runs, certified mail tracking, post office pickups, etc.)
- Monitoring, replenishment, and reconciliation of advanced deposit accounts
- Use of the postage metering machine
- Reconciliation of presort vendor invoices and submittal of invoices for payment
- Creation of postage expense reports for Finance

6.   Lack of City-Wide Policies and Procedures on Use of Services

Criteria

Documented policies and procedures provide orientation and reference material for employees.

Condition

The print shop and mail room have not documented policies and procedures for city employees utilizing their services. The following information would be beneficial to city employees:

Print Shop
- Procedures to follow in requesting print jobs
- Required information for processing print jobs
- Forms to be completed
- Required lead times for print jobs
- Limitations on use of the print shop
- Outsourcing options and procedures
- Departmental limitations on use of outside vendors
- Key contacts

Mail Room
- Restrictions surrounding the personal use of the mail room services
- Handling of personal mail without postage
- Mail run schedule
- Key contacts

Cause

- Office of Communications management has not documented policies and procedures for use of the city's print shop and mail room by city employees and departments.

Effect

- Lack of documented policies and procedures creates inefficiencies for city departments and the print shop and mail room.

Recommendation

6.1   Office of Communications management should document, implement, and make accessible policies and procedures for city departments on use of the city's print shop and mail room. Consideration should be given to addressing the following areas:

Print Shop
- Procedures to follow in requesting print jobs
- Required information for processing print jobs
- Forms to be completed
- Required lead times for print jobs
- Limitations on use of the print shop
- Outsourcing options and procedures

- Departmental limitations on use of outside vendors
- Key contacts

Mail Room
- Restrictions surrounding the personal use of the mail room services
- Handling of personal mail without postage
- Mail run schedule
- Key contacts

7.   Inefficient Method for Tracking Inbound Mail and Packages

Criteria

The chain of command of packages and certified mail needs to be tracked to document that mail has arrived at its intended destination and the information needs to be easily accessible for research when required.

Condition

The current process used by the mail clerks for tracking packages and certified and registered mail (tracked mail) and obtaining signatures of recipients is inefficient, prone to human error, and information on the delivery of this mail is not easily accessible. Mail clerks record the tracking number of each piece of tracked mail on paper slips and obtain recipient signatures on these slips. A duplicate copy of each slip is left with recipients. These slips are retained in a file drawer for research if needed. Bar code scanners and software are available that could improve the efficiency of this process and provide a clear trail of custody of tracked mail and more easily researchable data.

Cause

- Inefficient manual process.

Effect

- Lack of readily accessible management information on tracked mail.

Recommendation

7.1   Office of Communications management should evaluate and document the costs and benefits that could be achieved through use of a bar code scanning system for recording the receipt and delivery of tracked mail.

8.   Space Utilization and Inventory Storage Issues

Criteria

Work areas should be sufficient to support an organization's operations. Inventory should be properly stored and secured.

Condition

Our office requested that the city's Safety/Loss Control Officer complete a review of the print shop and mail room work areas. The Officer identified areas of concern relating to the utilization of work area space and storage of inventory.

Cause

- Limited space for print shop and mail room.

Effect

- Potential safety hazards
- Potential for loss of materials

Recommendation

8.1   Office of Communications management should address the issues raised in the Safety/Loss Control Officer's report.

MANAGEMENT RESPONSES

1.   Print Job Processing Inefficiencies and Inadequate Information

1.1   Office of Communications management should evaluate and document what process or system enhancements can be made to reduce the amount of recording of redundant information and develop an implementation plan.

Management Action Plan: Management is currently working with Information Technologies and Purchasing to evaluate software applications that can be purchased to streamline the print job submission process so information can be recorded more efficiently and accurately through a digital storefront. This will make the process more reliable and transparent, and make more efficient use of employees' time because they will not need to enter data manually. Staff is working internally to determine what type of information is necessary to include in a print job request so that it can be built into the new system. Once a new system is implemented, a roll-out plan for the new software will be created and staff will be trained as well as existing customers who enter job requests.

Estimated Date of Completion: July 1, 2018

1.2   Office of Communications management should implement process or system enhancements where at a minimum the following print job information is captured and made available for management:
   - Real time status of print jobs as they move from submission through production
   - Print jobs in queue
   - Deadlines for submitted print jobs
   - Print jobs completed prior to and after deadlines
   - Number of days to complete individual jobs
   - Print jobs outsourced along with justification for outsourcing

Management Action Plan: Management is currently working with Information Technologies and Purchasing to evaluate software applications that can be purchased that will improve the print shop's current process and make available the information that is referenced above. Procedures will also be created to establish criteria for when jobs should be outsourced, and those decisions will be documented when they occur.

Estimated Date of Completion: July 1, 2018

1.3   Office of Communications management should document performance expectations for the print shop.

Management Action Plan: Staff will create performance expectations of the print shop, as well as review what is being used by other government print shops for comparison. The new expectations will be documented in writing for department employees so they can be referred to moving forward. That information will also be communicated to all city employees so they know what to expect when working with the print shop. Some of the information will include deadline expectations, minimum requirements for a graphic artist request, customer service and more.

Estimated Date of Completion: July 1, 2018

2. Lack of Formalized Process for Updating Job Cost Factors

2.1   Office of Communications management should review and evaluate the appropriateness and complexity of its current job costing methodology. The methodology should then be documented.

Management Action Plan: Management will review what similar government print shops track in terms of costing methodology and develop a plan for what costs should be recovered by the city of Las Vegas. This will be done in conjunction with the Finance Department. This information will be documented and then built into a new software application. Staff will also identify a process for how often the methodology will be reviewed and updated annually.

Estimated Date of Completion: July 1, 2018

2.2   Office of Communications management should update the costing factors in its print management software as needed to coincide with its job costing methodology.

Management Action Plan: Once the new job costing methodology is identified and approved by Finance staff, it will be updated in the current print management software and/or new software.

Estimated Date of Completion: July 1, 2018

2.3   Office of Communications management should document and implement a process for keeping the job costing factors within its print management software current and accurate.

Management Action Plan: Once the new job costing methodology is established, staff will create a procedure for how often that information should be reviewed and updated. That information will then be shared with department staff and the Finance Department. There will be an annual review of vendor and costs.

Estimated Date of Completion: July 1, 2018

3.   Inadequate Account Funding Methodology and Reconciliation

3.1   Office of Communications management should establish and implement a formal methodology for replenishment of the three advanced deposit postage accounts.

Management Action Plan: Staff will work with Finance and department administrative support to establish a formal process in writing for replenishing the accounts.

Estimated Date of Completion: December 31, 2017

3.2   Office of Communications management should establish a formal process for reviewing and reconciling the activity in the three advanced deposit postage accounts. The reconciliation should be documented and the supporting documentation retained.

Management Action Plan: Staff will work with Finance and mailroom staff to establish a formal process that will be outlined in writing.

Estimated Date of Completion: December 31, 2017

4.   Inadequate Reconciliation of Presort Transactions

4.1   Office of Communications management should document and implement procedures for formally reconciling the presort vendor invoices to supporting internal documentation. Quantity differences should be identified and documented. Postage costs should be recalculated and reviewed for reasonableness.

Management Action Plan: Staff will create a procedure to reconcile presort invoices with internal documentation, and begin tracking this information in a shared file so it can be reviewed at any time.

Estimated Date of Completion: December 31, 2017

5.   Lack of Documented Internal Policies and Procedures

5.1   Office of Communications management should document internal print shop policies and procedures. At a minimum, the following areas should be addressed:
- Print job processing procedures and use of the print management software
- Job cost methodology and updating procedures
- Inventory ordering and monitoring procedures
- Year-end inventory procedures
- Creation of print job cost reports for Finance
- Outsourcing policy and procedures

Management Action Plan: Staff will work with print shop staff to document work processes and share it with all print shop employees.

Estimated Date of Completion: July 1, 2018

5.2   Office of Communications management should document internal mail room policies and procedures. At a minimum, the following areas should be addressed:
- Mail run procedures (internal and external runs, certified mail tracking, post office pickups, etc.)
- Monitoring, replenishment, and reconciliation of advanced deposit accounts
- Use of the postage metering machine
- Reconciliation of presort vendor invoices and submittal of invoices for payment
- Creation of postage expense reports for Finance

Management Action Plan: Staff will work with mailroom staff to document work processes and then share with all mail room staff.

Estimated Date of Completion: July 1, 2018

6.   Lack of City-Wide Policies and Procedures on Use of Services

6.1   Office of Communications management should document, implement, and make accessible policies and procedures for city departments on use of the city's print shop and mail room. Consideration should be given to addressing the following areas:

Print Shop
- Procedures to follow in requesting print jobs
- Required information for processing print jobs
- Forms to be completed
- Required lead times for print jobs
- Limitations on use of the print shop
- Outsourcing options and procedures
- Departmental limitations on use of outside vendors
- Key contacts

Mail Room
- Restrictions surrounding the personal use of the mail room services
- Handling of personal mail without postage
- Mail run schedule
- Key contacts

Management Action Plan: Staff will work with Administrative Services to create city-wide policies and procedures applying to the print shop and mailroom to include the information referred above. It will then be shared with all employees, via the standard city distribution methods.

Estimated Date of Completion: July 1, 2018

7. Inefficient Method for Tracking Inbound Mail and Packages

7.1 Office of Communications management should evaluate and document the costs and benefits that could be achieved through use of a bar code scanning system for recording the receipt and delivery of tracked mail.

Management Action Plan: Staff will explore available products for purchase.

Estimated Date of Completion: July 1, 2018

8. Space Utilization and Inventory Storage Issues

8.1 Office of Communications management should address the issues raised in the Safety/Loss Control Officer's report.

Management Action Plan: An expansion of the mailroom will address these concerns and is already underway.

Estimated Date of Completion: December 31, 2017