

# STATE AUDITOR'S OFFICE PERFORMANCE AUDIT



## Opportunities to Reduce State Mail Volume and Costs

November 1, 2011

Report No. 1006412



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR

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# A MESSAGE TO THE CITIZENS OF WASHINGTON

Citizens of Washington:

Earlier this year, I received an email from a state employee who suggested her program could save as much as \$50,000 per year by using email instead of the postal system to communicate with clients. This was a great suggestion from a front-line worker who was paying attention to ways to make government cost less.

We conducted this performance audit of state mail services to identify strategies state agencies could use to reduce what they mail and save money without sacrificing regular, clear communication. Here are some highlights from our report:

- State agencies mailed more than 66 million letters, post cards and other documents in fiscal year 2010, at a cost of \$30.8 million. Eighty percent of that – nearly \$25 million – was spent on postage.
- Neither state nor federal laws nor state regulations require mailing for most of the high-volume mailings we analyzed. In many cases, the law requires agencies to inform their customers, but does not require them to mail printed documents.
- The state agencies we audited are taking action to reduce the amount of mail, and some can do even more.
- The Legislature can change laws that require agencies to use traditional mail.

We share the agencies' commitment to clear communication, and we know they cannot reduce or eliminate all mailings. But we found instances in which agencies are asking the right questions and making good decisions to reduce costs without restricting the flow of information. We think all state agencies should investigate these opportunities.

Sincerely,



**BRIAN SONNTAG, CGFM**  
WASHINGTON STATE AUDITOR



## The State Auditor's Office Mission

**The State Auditor's Office independently serves the citizens of Washington by promoting accountability, fiscal integrity and openness in state and local government. Working with these governments and with citizens, we strive to ensure the efficient and effective use of public resources.**

# EXECUTIVE SUMMARY

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## Why we did this audit

Communication and the distribution of important documents are critical government functions. Millions of people depend on government for everything from benefit payments to tax statements to reminders that they need to renew their driver's license. Before the emergence of the Internet and email, government agencies printed almost all of their documents and mailed them through the U.S. Postal Service.

Of course, times have changed. In today's wired – and wireless – society, citizens and businesses are adopting faster, cheaper and more effective alternatives to printing and mailing information. Federal, state and local governments are also changing their practices. Initiatives like the federal Paperwork Reduction Act and Washington State's consolidation of mail and other "back office" functions within the new Department of Enterprise Services highlight some of the efforts already underway to reduce costs and improve services.

In the past, mail was the primary option available to government organizations to distribute information such as eligibility notices, benefit checks, permits and many other documents. Limited resources and maintaining the status quo have likely contributed to continued reliance on the mail. In 2010 alone, Washington State agencies spent more than \$30 million to send more than 66 million pieces of mail. Postage represented 80 percent of that cost, partly due to increases in mailing rates of almost 30 percent in the past decade.

As postage costs have risen and technology has become more readily available, some agencies have taken steps to reduce outgoing mailings. We conducted this audit to identify ways state agencies could further reduce outgoing mail volumes to achieve cost savings.

## Scope and Methodology

We conducted the audit by focusing on information from the state's Consolidated Mail Services (CMS) system, which processes outgoing state agency mail before it goes to the Postal Service (USPS). During the audit period, CMS was a part of the Department of General Administration, and became part of the Department of Enterprise Services on October 1, 2011. Using data from CMS for fiscal year 2010, we identified the four state agencies with the largest mail volumes and analyzed in detail 55 of the mailings they sent that included more than 100,000 pieces per year.

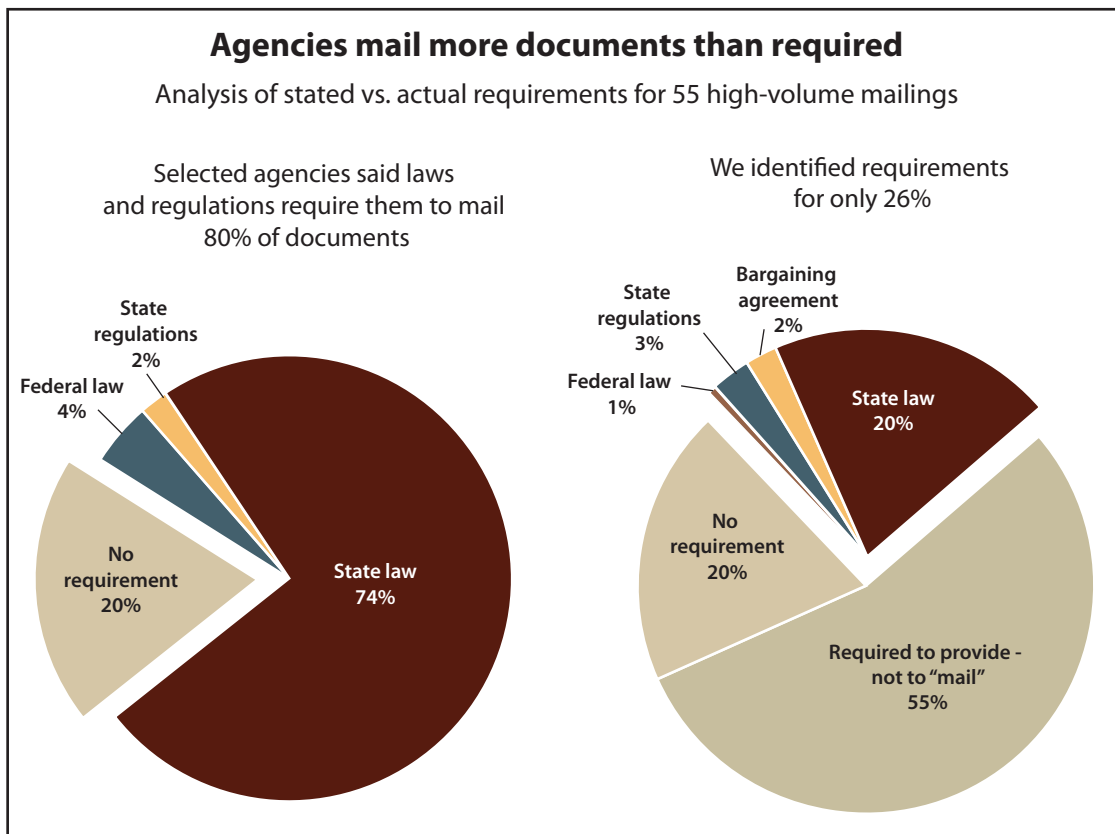
We asked the highest-volume agencies – the departments of Employment Security, Labor & Industries, Licensing and Social and Health Services – to describe these mailings, their requirements to send them, strategies for reducing mail amounts and costs, and barriers they have faced in reducing outgoing mail volumes. We also received examples of mail and cost reduction efforts from the CMS mail managers group and from agency deputy directors who submitted ideas through the Governor's Office.

This audit was conducted under the terms of the state’s performance audit law, which was approved by voters in 2005 as Initiative 900. The audit also responds to a requirement in the state’s 2010 supplemental budget, which directed the State Auditor’s Office to conduct at least one performance audit of activities identified as high priorities by the Joint Legislative Audit and Review Committee (JLARC). JLARC identified state mail service as a high-priority activity, so this audit fulfills the 2010 legislative requirement.

### What we found

State agencies selected for this audit are using the mail more often than required under state law. We identified leading practices already underway in these agencies and additional opportunities where they could reduce their mailings and postage costs. For example:

- **Agency administrators said state and federal laws** and regulations required them to send 80 percent of their high-volume mailings through the mail. However, we found that in more than half of the high-volume mailings, the laws required them only to “provide” the information, not necessarily mail it. Laws directing agencies only to provide information gives them the flexibility to use other, less expensive communication options.
- **Twenty (20) percent of the high-volume mailings** we analyzed provided information the agencies were not required to deliver in any form.
- **In some cases, laws require agencies** to provide information by “mail,” which limits their ability to reduce mail volumes, but most of those requirements can be changed.



- Some agencies have already cut mail volumes and costs significantly. For example, the Employment Security Department reported savings of \$1.2 million by directly depositing jobless workers' unemployment checks, and the Department of Social and Health Services reported savings of \$2.8 million by replacing paper medical benefit coupons with magnetic cards. In these and other cases, agencies can use savings to improve services or cushion the impact of budget cuts.
- Agencies should not eliminate or reduce all mailings. We recognize that in some instances, mailing may be the best option for providing certain information. Agencies will need to balance any mail reduction efforts with several factors, including implementation costs, customer preferences and access to technology, and potential litigation risks.

## Recommendations

Our analysis of the mailings at the selected agencies provides examples of successful efforts and additional opportunities to reduce outgoing mail volumes and achieve cost savings. Based on these examples and opportunities, we believe it would be beneficial for all state agencies to closely examine the costs and benefits of delivering information through means other than mail. We recognize that not all mailings are candidates for elimination, but believe that such an examination will identify opportunities to reduce mail volumes and costs as state agency budgets continue to shrink.

### **We recommend the Department of Enterprise Services:**

1. Develop general guidelines to help all state agencies evaluate opportunities to reduce outgoing mail volumes and costs.

### **We recommend the departments of Employment Security, Labor & Industries, Licensing and Social and Health Services:**

2. Continue their efforts to reduce outgoing mail volumes and costs by reviewing those mailings they are not required to "mail" and pursue appropriate alternatives.
3. Review relevant mailing requirements in state law or state regulation and pursue changes when those requirements to "mail" hinder their ability to communicate through other means.
4. Report the results of their outgoing mail reduction efforts including implementation costs, projected or actual savings, and expected return on investment to the Department of Enterprise Services.

### **We recommend the Legislature:**

5. Remove from state law all requirements to "mail" documents. This action would provide all state agencies with greater flexibility to use the most appropriate and cost-effective methods of delivering documents and information.

## **What's next?**

Our performance audits of state programs and services are reviewed by JLARC and by other legislative committees whose members wish to consider findings and recommendations on specific topics.

Representatives of the State Auditor's Office will review this audit with JLARC's Initiative 900 Subcommittee in Olympia. The public will have the opportunity to comment at this hearing. Please check the JLARC website for the exact date, time and location ([www.leg.wa.gov/JLARC](http://www.leg.wa.gov/JLARC)).

The Department of Enterprise Services and the agencies whose mailings we audited will decide whether to accept our recommendations. The State Auditor's Office conducts periodic follow-up evaluations to assess the status of recommendations and may conduct follow-up audits at its discretion.

# INTRODUCTION

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## Audit Overview

Communication and the distribution of important documents are critical government functions. Millions of people depend on government for everything from benefit payments to tax statements to reminders that they need to renew their driver's license. For years, the U.S. Postal Service was the primary way to distribute this critical information to citizens.

Of course, times have changed. In today's wired – and wireless – society, alternatives to the traditional mail system exist, but limited resources and maintaining the status quo have contributed to state agencies' continued reliance on mail. In fiscal year 2010, Consolidated Mail Services reported that Washington State agencies mailed more than 66 million pieces at a cost of \$30.8 million. Postage fees accounted for 80 percent of those costs – a total of \$24.7 million. We designed our audit to identify ways agencies can further reduce outgoing mail volumes to achieve cost savings.

We conducted this audit in part in response to section 909 of the 2010 supplemental state operating budget, which directed the Joint Legislative Audit and Review Committee (JLARC) to select a result area from the Priorities of Government budget exercise and prioritize individual activities within it. The budget legislation also directed the State Auditor's Office to conduct a performance audit of at least one of the highest-priority activities on JLARC's list. In response, we selected state mail services. This audit specifically asks:

- **Can state agencies reduce outgoing mail volumes to achieve cost savings?**

## Audit Scope and Methodology

Consolidated Mail Services (CMS), which was located within the Department of General Administration during the audit period and became part of the Department of Enterprise Services on October 1, 2011, handles most state agency mail. We looked at the services it provides and the costs and volumes of outgoing mail it processes to identify opportunities to reduce outgoing mail volumes and associated costs.

Using CMS data for fiscal year 2010, we identified the four state agencies with the highest volumes and costs of outgoing mail. These four agencies - the departments of Employment Security (ESD), Labor & Industries (L&I), Licensing (DOL) and Social and Health Services (DSHS) - represent 87 percent of the outgoing mail processed by CMS in fiscal year 2010 for state agencies.

For each agency, we used fiscal year 2010 CMS data, and data from the selected agencies to evaluate 55 mailings that included more than 100,000 pieces. We asked each agency to provide detailed information about these high-volume mailings including total cost and volume, requirements to mail, and barriers to communicating through alternate methods. We also asked each agency to provide information on leading practices they are using to reduce outgoing mail volumes and costs. We also received examples of mail and cost reduction efforts from the CMS mail managers group and from agency deputy directors who submitted ideas through the Governor's Office.



We conducted the audit under the authority of state law (RCW 43.09.470), approved as Initiative 900 by Washington voters in 2005, and in accordance with generally accepted government auditing standards, prescribed by the U.S. Government Accountability Office. These standards require the audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions. Based on our review, we believe the evidence obtained is sufficiently reliable for the purposes of our audit and provides a reasonable basis for our findings, conclusions and recommendations.

**Appendix A** describes the provisions of Initiative 900 and how the audit addressed those provisions.

**Appendix B** provides more detail on our audit scope and methodology.

# BACKGROUND

Citizens and businesses rely on the state to provide information such as vehicle-registration and business license renewal notices, tax rates, benefit eligibility information and notifications of changes to state services such as workers' compensation and temporary assistance programs. While agencies have taken steps to provide information through alternate means, much of it still comes through the mail.

To understand the volume and cost of mail sent by state agencies, the factors that contribute to the cost of state mailings, and to identify the state agencies sending the highest volumes of mail, we relied on information provided by Consolidated Mail Services (CMS) and four selected state agencies. On October 1, 2011, CMS became part of the new Department of Enterprise Services (DES), which is charged with providing centralized leadership in efficiently and cost-effectively managing resources necessary to support the delivery of state government services. As part of managing these resources, CMS provides mail services for 102 of the state's 150 agencies. In fiscal year 2010, CMS processed more than 66 million pieces of outgoing U.S. Postal Service mail generated by state agencies. A more detailed explanation of CMS and the services it provides is available in **Appendix C**.

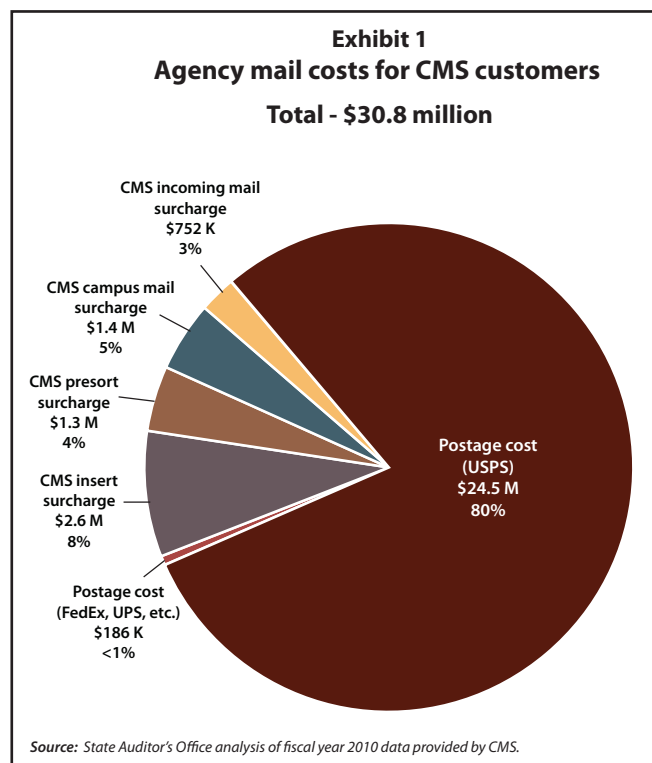
## Postage accounts for most state agency mail costs

The 102 state agencies that are CMS customers paid \$30.8 million for mail services in fiscal year 2010. Almost \$25 million – or 4 out of every 5 dollars – was spent on postage. Because postage accounts for most of the cost, reducing mailings would result in lower mail costs for state agencies. **Exhibit 1** shows how the \$30.8 million is split among the mail services charges agencies paid to CMS.

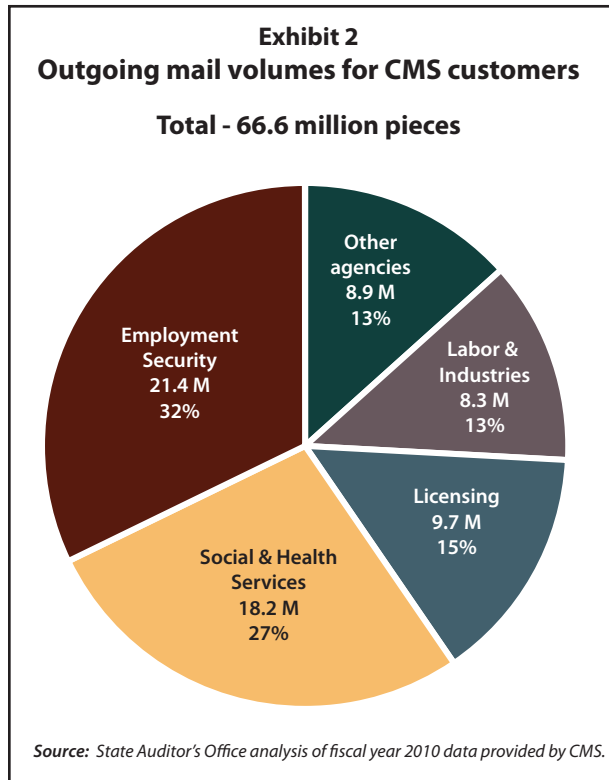
Other factors such as content development, the cost of materials such as paper and envelopes, and costs to print documents influence the cost of mailings. We did not determine the cost of these factors. Our audit focused on the cost of postage and how agencies can reduce postage costs through reducing mail volumes.

## State agencies send a variety of documents through outgoing mail

We asked our four selected agencies – ESD, L&I, DOL and DSHS – what they are mailing. As shown in **Exhibit 2** on page 11, we selected these agencies because they had the highest volume of mailings sent through CMS in fiscal year 2010. Altogether, these four agencies represent 87 percent of the outgoing mail processed by CMS. For each agency, we identified mailings of more than 100,000 pieces in fiscal year 2010 and requested detailed information about each, including total cost and volume, specific requirements to mail, recipients, purpose, and any barriers to providing the information through an alternate method.



Based on the information provided by these agencies, we categorized their high-volume mailings into broad categories. We found that the top category of outgoing mail (33 percent) was notifications or information about eligibility for a benefit or program. The next highest category (19 percent) included payments and checks mailed to program beneficiaries, followed by expiration notices (17 percent), financial information (15 percent), other notifications (14 percent) and informational materials (3 percent).



# AUDIT RESULTS

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## Issue 1: State agencies have opportunities to reduce outgoing mail volumes

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**W**hile agencies face challenges to reducing mail, our audit identified successful efforts already under way in Washington State agencies, and the potential for additional reductions in mail volumes and costs. Based on our detailed analysis of fiscal year 2010 high-volume mailings at the four selected agencies, we found:

- Most of the high-volume mailings from our selected agencies have no requirement to be mailed.
- Agencies have begun to implement leading practices to reduce mail volumes.

### **Most high-volume mailings reviewed are not required to be “mailed”**

To understand why state agencies provide information through the mail, we asked our selected agencies to provide detailed information on their high-volume mailings (those over 100,000 pieces) in fiscal year 2010, including requirements to mail, barriers to providing information through alternate methods and other efforts the agencies considered to reduce outgoing mail. We found:

- Agencies are not required to “mail” as much as they did.
- Agencies chose to mail some items they are not required to provide.
- Agencies were mailing information not required to be “mailed” for a variety of reasons.
- Requirements to “mail” information limit agencies’ ability to reduce outgoing mail.
- Some requirements that limit agencies’ ability to reduce outgoing mail can be changed.

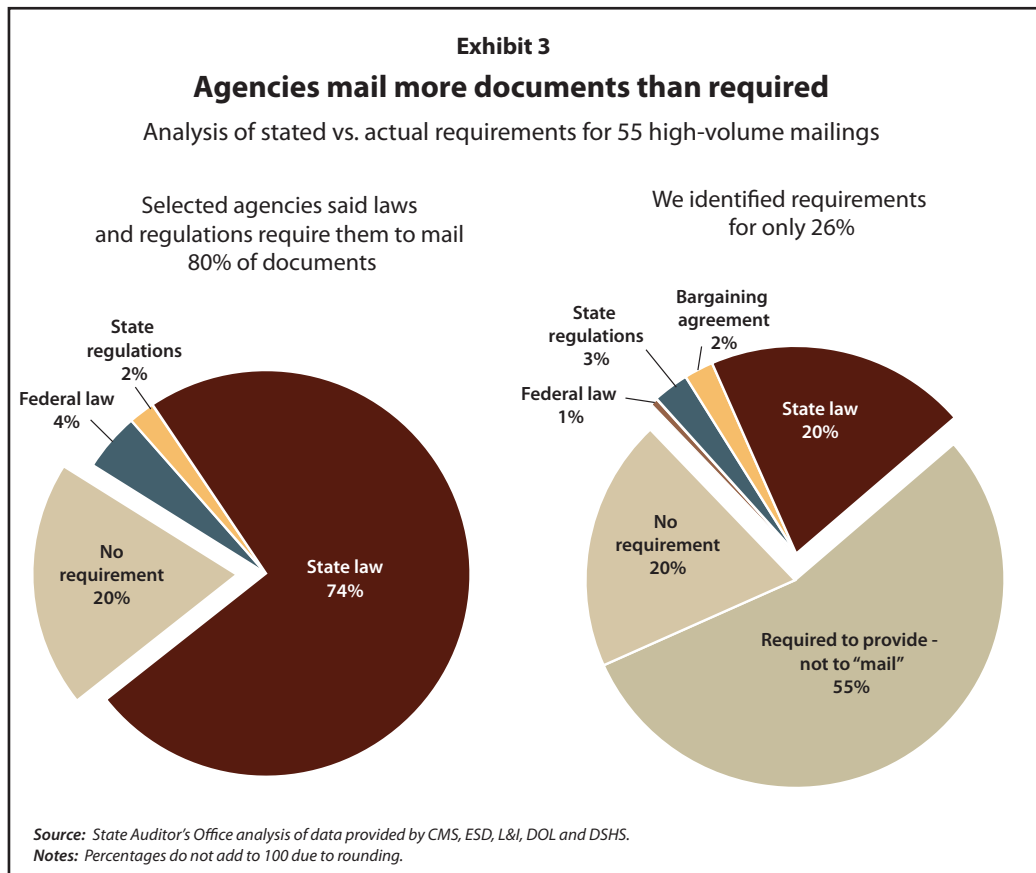
**Agencies are not required to “mail” as much as they did.** As shown in **Exhibit 3** on page 13 and **Exhibit 4** on page 14, agencies reported that federal law, state law, state regulations and/or bargaining agreements required 80 percent of their high-volume mailings to be “mailed.” However, our analysis of reported requirements found that over half (19.9 million pieces) of this mail was information agencies were required to “provide” in some manner, but not to “mail.” Mailing these 19.9 million pieces of mail in fiscal year 2010 cost \$7.7 million, as shown in **Exhibit 4**.

Our analysis defined a requirement to be one that specifically included the term “mail.” (See **Appendix D** for a summary of the requirements language we found in the reported mailing requirements, and for the definitions we used to determine if the language provided “required” a mailing.) The following mailings illustrate some of the examples of language we found that required agencies to provide information in some manner, but did not specifically **require** agencies to mail.

- **ESD mailed more than 5.7 million pieces of information** or payments to claimants and employers at a cost of more than \$2.6 million. The law requires ESD to “furnish” or “deliver” the material.
- **DSHS mailed more than 540,000 pieces of mail to clients** ranging from financial assistance to eligibility letters and service termination letters at a cost of almost \$258,000. For each item, the law requires DSHS to “notify” clients.
- **L&I mailed 482,000 pieces of information** to help facilitate insurance premium payments at a cost of \$256,000. The law requires L&I to “furnish” the information.

**Exhibit 4** provides additional detail about the financial impact that requirements have on the cost of mailing for the selected agencies.

**Agencies mail information they are not required to provide at all.** Some of these high-volume mailings - 20 percent of total selected mailings volume - are not specifically required in any form. Mailing this information cost the four agencies approximately \$2.2 million in fiscal year 2010. Agencies may choose to mail information as a service to the state’s citizens, or because they determined it is important to provide through the mail.



For example:

- **DOL mailed more than 1 million driver’s license renewal reminders** to Washington State drivers. It is not required to do so. While DOL has taken steps to make reminders available through email instead of through mail, it still spent more than \$525,000 mailing renewal notices in fiscal year 2010.
- **ESD mailed more than 400,000 initial unemployment claims letters** at a cost of more than \$200,000. The initial claims letters provide information that is currently available online, such as job search requirements and instructions on how to file weekly claims. ESD is not required to provide this information.

**Agencies were mailing information not required to be “mailed” for a variety of reasons.** We found that agencies either thought they were required to provide the information through the mail, had not explored other options to providing it, or determined that mailing was the best method to provide that information. As illustrated in **Exhibit 4**, 74 percent of our selected agencies high-volume mailings were not required to be “mailed,” costing approximately \$9.9 million in fiscal year 2010.

**Exhibit 4**  
**Reported versus actual requirements to mail at selected agencies**

*Numbers are rounded*

Reason for mailing	Agency reported requirement *		Actual requirement *			
	Number of pieces	Percent of total	Number of pieces	Percent of total	Mailing cost **	Percent of total cost**
<b>Required to “mail” information by:</b>						
Federal law	1.6 million	4%	0.2 million	<1%	\$0.07 million	1%
State law	27.0 million	74%	7.4 million	20%	\$3.1 million	22%
State regulations	0.8 million	2%	1.0 million	3%	\$0.5 million	4%
Bargaining agreement	-	-	0.8 million	2%	\$0.2 million	1%
<b>Sub-total</b>	<b>29.4 million</b>	<b>80%</b>	<b>9.4 million</b>	<b>26%</b>	<b>\$3.9 million</b>	<b>28%</b>
<b>Not required to “mail”:</b>						
Requirement to <u>provide</u> information, but not to “mail”	-	-	19.9 million	55%	\$7.7 million	56%
No requirement to provide information	7.2	20%	7.2 million	20%	\$2.2 million	16%
<b>Sub-total</b>	<b>7.2 million</b>	<b>20%</b>	<b>27.1 million</b>	<b>74%***</b>	<b>\$9.9 million</b>	<b>72%</b>
<b>Total – outgoing mail</b>	<b>36.6 million</b>	<b>100%</b>	<b>36.6 million</b>	<b>100%</b>	<b>\$13.7 million</b>	<b>100%</b>

**Source:** Auditor’s Office analysis of fiscal year 2010 data from CMS, ESD, L&I, DOL and DSHS for mailings of more than 100,000 pieces.

**Notes:**

\*Many mailings are required by more than one type of law or regulation (e.g. federal law, state law, state regulation). We categorized each mailing according to the highest level of requirement.

\*\*Costs include postage and CMS charges. They do not include the costs of developing and printing the documents.

While for some mailings agencies are required to provide information in some manner, the lack of the term "mail" in the requirements they cited provides the flexibility to explore alternate methods of providing the required information. It can be challenging to change long-standing agency practices, but it is likely easiest to reduce or eliminate mail by first looking at information that is being mailed that agencies are not required to provide, and next by considering whether providing information through the mail is the most cost effective way for agencies to provide information they are only required to "provide" and not to "mail." Many agencies are evaluating possible changes, and some already have made them, as described later in **Appendix E**.

**Requirements to provide information by "mail" limit agencies' ability to reduce it.** While the majority of mailings are not required to be "mailed," some are. As shown in **Exhibit 4**, our analysis showed that 9.4 million mailings, or 26 percent of high-volume mailings are required to be sent by "mail." The use of the term "mail" limits state agencies' flexibility to provide information through alternate methods, which impacts their ability to reduce the volume and cost of these mailings. The following examples illustrate where state agencies have explored other ways to provide information, but have not been able to eliminate mailings because of requirements to "mail."

- **State law (RCW 51.52.050) requires L&I to "mail"** employment verification notices to employers to determine eligibility for potential claimants. Although these notices could be provided through online accounts or email, L&I mailed more than 250,000 notices at a cost of \$122,480 in fiscal year 2010 because of the legal requirement to "mail" these notices.
- **State regulation (WAC 192-120-010) require ESD to "mail"** Unemployment Claims Kits to clients applying for benefits. ESD has made this information available on its website, but in fiscal year 2010 mailed out 420,972 pieces of mail related to the kits at a cost of \$457,100 to comply with state regulations.

**Most requirements that limit agencies' ability to reduce outgoing mail can be changed.** State agencies can seek legislation to change state statutes, or can follow the process to change their own rules. They also can renegotiate bargaining agreements to remove terminology that requires mailings.

Changing or eliminating requirements to "mail" documents would give agencies the flexibility to determine whether the benefits associated with delivering information through alternate means outweigh the costs. For example, in 2010 L&I successfully sought legislation to eliminate the statutory requirement that L&I send certain information by "certified mail." It now can send this information and other correspondence and legal notices by any method, such as secure electronic means, as long as receipt can be confirmed and tracked. L&I estimates this change will save \$1.5 million annually by the third year of implementation.

### **Agencies have begun to implement leading practices**

Based on the examples provided by state agencies, we developed a list of leading practices that reduced outgoing mail volumes. We included examples that best illustrate leading practices for reducing mail volumes and costs to provide ideas for where to look for reduction opportunities. We did not independently verify the reported efforts or savings reported by state agencies.

**Successful reductions in mail volume and costs.** During our audit, agencies reported many instances in which they had implemented leading practices and had reduced mail volumes, including:

- Providing information on agency websites.
- Establishing electronic accounts with businesses and clients.
- Using email for notifications and communication.
- Using electronic transfers, direct deposit, and electronic benefit cards for payment of benefits.
- Providing information in alternate formats.
- Combining mailings to the same address for the same or multiple recipients.
- Mailing information less often.

*Other actions state agencies have taken to reduce mailing costs:*

- *Consolidated mailing efforts at CMS.*
- *Presorting mail for lower postage rates.*
- *Reducing mailing class to reduce postage rates.*

*See Appendix F for more examples.*

Specific examples of state agencies' actions in these areas are provided in **Exhibit 5**. Additional examples of promising practices within Washington State agencies to reduce mail volumes can be found in **Appendix E**.

<b>Exhibit 5</b>			
<b>Some actions taken by state agencies to reduce mail volumes</b>			
<b>Agency</b>	<b>Item</b>	<b>Change made</b>	<b>Savings</b>
<b><i>Eliminating unnecessary mailings</i></b>			
<b>L&amp;I</b>	Contractor registration form letters	Determined six of 72 form letters could be eliminated.	\$31,575 (FY09-FY11)
<b><i>Using email</i></b>			
<b>DOL</b>	Car tab renewal notices	Drivers can opt-in to be reminded by email.	\$200,000 (annually)
<b><i>Providing in an alternate format</i></b>			
<b>DSHS</b>	Medical benefit cards	Permanent magnetic cards replaced monthly paper coupons mailed to clients	\$2.8 million (annually)
<b><i>Using direct deposit</i></b>			
<b>ESD</b>	Unemployment checks	Checks directly deposited instead of being mailed.	\$1.16 million (FY2010)
<b><i>Reducing or combining mailings</i></b>			
<b>ESD</b>	Changes to account notification letters for Unemployment Insurance	Reprogramming computer systems reduced the number of mailings from an average of 22 to an average of eight per month per client.	\$6.8 million (2007-2010)
<b>Source:</b> State Auditor's Office compilation of agencies' data.			



These examples highlight the kinds of actions that state agencies can take and the potential savings that can be achieved when agencies successfully review and eliminate or reduce mailings.

**Agencies face a variety of barriers to providing information through alternate means.** While potential cost savings are important, they are not the only factor that agencies must consider when evaluating alternatives to mail and providing critical information to their customers, clients and citizens. The cost of overcoming these barriers must be carefully weighed against cost savings from reducing mailings. In addition, agency officials must also consider the purpose of the mailing and the needs of the recipient. We asked officials at the four agencies about the barriers to providing their high-volume mailings through alternate means. In addition to the requirements we discussed above, they cited the following barriers:

- **Implementation resources and costs** – The resources and costs required to implement changes can be significant and could include upgrading and/or reprogramming computer systems, developing materials to be posted on agency websites, or developing information in alternate media formats.
- **Recipient access to technology** – Reaching certain recipients electronically can be impacted by their lack of access to technology, or by living in remote areas of the state.
- **Customer preference** – Regardless of their access to technology, some recipients may always prefer to receive materials through the mail.
- **Litigation risk** – When required to provide notice or to confirm receipt of information, agencies may choose to use mail to deliver that information to limit their exposure to lawsuits.

We recognize agency officials must consider these and other barriers when looking at ways to reduce mail volumes, and that not all mailings are candidates for reduction. We also understand that the relative importance of any one of these barriers will vary depending on the agency, the recipient, and the information being provided. However, given the successes of the four agencies at reducing mail volumes and costs, we think these strategies are worth consideration by other state agencies.

# RECOMMENDATIONS

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**B**ased on the opportunities we identified at our selected agencies, and the examples of successful efforts reported by other state agencies, we believe the time is right for all state agencies to closely examine the costs and benefits of delivering information by means other than mail. Agencies should examine their mailings and consider the purpose of providing the information, the needs of their clients, and whether the cost savings of not mailing outweigh the costs of providing it through an alternate method. We recognize that not all mailings are candidates for elimination, but believe that such an examination will identify additional opportunities to reduce mail volumes and reduce costs as state agency budgets continue to shrink.

All state agencies should review their mailings to determine whether it would be more cost effective to provide that information by alternate means.

## **We recommend the Department of Enterprise Services:**

- 1. Develop general guidelines to help all state agencies** evaluate opportunities to reduce outgoing mail volumes and costs.

## **We recommend the departments of Employment Security, Labor & Industries, Licensing and Social and Health Services:**

- 2. Continue their efforts to reduce outgoing mail volumes** and costs by reviewing those mailings they are not required to “mail” and pursue appropriate alternatives. State agencies should revise any state regulations that require them to “mail” documents when those requirements hinder their ability to communicate through other means.
- 3. Review relevant mailing requirements in state law** or state regulations and pursue changes when those requirements to “mail” hinder their ability to communicate through other means. Agencies should report the results of these actions to the Department of Enterprise Services, including implementation costs and projected or actual savings.
- 4. Report the results of their outgoing mail reduction** efforts including implementation costs, projected or actual savings, and expected return on investment to the Department of Enterprise Services.

## **We recommend the Legislature:**

- 5. Remove from state law** all requirements to “mail” documents. This action would provide all state agencies with greater flexibility to use the most appropriate and cost-effective methods of delivering documents and information.

# AGENCY RESPONSE



STATE OF WASHINGTON  
OFFICE OF FINANCIAL MANAGEMENT

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October 20, 2011

The Honorable Brian Sonntag  
Washington State Auditor  
P.O. Box 40021  
Olympia, WA 98504-0021

Dear Auditor Sonntag:

Thank you for this opportunity to respond to the State Auditor's Office (SAO) performance audit report on Mail Services that we received on September 29, 2011. I am sending the attached responses on behalf of the departments of Enterprise Services, Employment Security, Labor and Industries, Licensing, and Social and Health Services.

We appreciate the SAO doing this review on mail services. The audit recognizes that agencies have done a great job to reduce mail volumes and costs, and we are pleased that it highlights examples of that good work. We acknowledge that Governor Gregoire's Lean government initiative is contributing to the changes as agencies pursue continuous improvements that include evaluating and adopting the best values in communication tools, practices, and outcomes. Finally, the audit's new perspective and interpretation on legal requirements are valuable and constructive as they emphasize that agencies sometimes have more flexibility to make changes than they realize.

While we support the recommendation to re-evaluate past practices and legal interpretations, we also understand that there are times when agencies should not change policies. In addition to the question of the legality to forgo certain mailings, there is also the issue of whether doing so is the best course of action for the agency. Equally important factors that agencies must consider when deciding the most appropriate and cost-effective communication methods include:

- State law may not require certain communications at all, but those communications may be good customer service.
- U.S. Postal Service mail may be the most cost-effective method for certain government services, even though lawmakers did not dictate the use of such mail.
- State clients may not have computer access or training for electronic options or may choose mail service.

The SAO reviewed various factors that must be weighed when making changes in mail distribution and processing policy. It also reviewed barriers to implementing these changes, such as agencies with old/outdated IT systems that would require extensive, costly upgrades to implement changes; the need to collect hundreds of thousands of email addresses and customer preferences to make a



The Honorable Brian Sonntag  
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change in current practices; and the potential difficulty of communicating with populations that do not have easy access to computers or to internet access. While such barriers may be overcome to achieve net cost savings, we note that some of these efforts will take more time and budget investments than others.

In summary, we support the SAO's recommendations, including:

- Agencies should work to achieve additional savings through the recommended actions.
- The Department of Enterprise Services (DES) should create guidelines to help agencies through the process of reviewing mailings and alternatives.
- Agencies should continue efforts to reduce the number of items mailed and, correspondingly, mailing costs.
- Agencies should pursue changes in rules and laws to increase their ability to respond to new options and changing circumstances.
- Agencies should report successful reduction strategies to DES to share knowledge of best practices.
- The Legislature should consider changes to clarify options, thereby boosting agency flexibility to adopt cost-effective methodology.

Again, thank you for the opportunity to respond to the recommendations presented in the Mail Services performance audit report.

Sincerely,



Marty Brown  
Director

Attachment

cc: Marty Loesch, Chief of Staff, Office of the Governor  
Fred Olson, Deputy Chief of Staff, Office of the Governor  
Joyce Turner, Director, Department of Enterprise Services  
Alan Haight, Director, Department of Licensing  
Susan Dreyfus, Secretary, Department of Social and Health Services  
Paul Trause, Commissioner, Employment Security Department  
Judy Schurke, Director, Department of Labor & Industries  
Wendy Korthuis-Smith, Director, Accountability & Performance, Office of the Governor  
Stan Marshburn, Deputy Director, Office of Financial Management

## Official State Cabinet Agency Response to Performance Audit on Mail Services October 20, 2011

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The departments of Enterprise Services, Employment Security, Labor & Industries, Licensing, and Social & Health Services provide the following responses to the performance audit report on Mail Services received on September 29, 2011.

**RECOMMENDATION 1:** The Director of the Department of Enterprise Services develop general guidelines to help all state agencies evaluate opportunities to reduce outgoing mail volumes and costs.

**DES Response:** The Department of Enterprise Services (DES) appreciates the audit's inclusion of the many cost savings achieved (in Appendix E) by our customers through the use of leading or best practices. The department assisted in many of these projects, helping to identify cost savings and ways to improve efficiencies. DES supports the recommendation to promote additional potential savings by providing a general guide. The guide would aid customer evaluation of savings opportunities in outgoing mail and other information distribution options.

The general guidelines for customer agency decision-makers may include:

- Leading or best practices for distributing information, including those based on past consultations with and achievements by our customers.
- Ways to reduce total information distribution costs, beyond just reducing the volume of outgoing mail.
- Customer service contacts and consultation offers to assist agencies in their identification of the most economic and efficient information distribution options.

### **Action Steps and Timeframe:**

- Develop general guidelines in collaboration with other agencies. This will be completed by May 2012.
- 

**RECOMMENDATION 2:** The departments of Employment Security, Labor & Industries, Licensing and Social and Health Services continue their efforts to reduce outgoing mail volumes and costs by reviewing those mailings they are not required to "mail" and pursue appropriate alternatives. State agencies should revise any administrative rules that require them to "mail" documents when those requirements hinder their ability to communicate through other means.

**ESD Response:** ESD will continue efforts to monitor and reduce overall mail volume and cost. Ongoing efforts to reduce agency mailings will be a balance between long-term cost effectiveness and the communication needs of the public. Factors that continue to limit ESD's ability to achieve substantially greater mail savings include:

- Limitations of our existing UI benefit payment and tax systems;
- Legal requirements to maintain confidentiality for both claimants and employers; and
- Difficulties communicating with individuals who do not use electronic communications.

## Official State Cabinet Agency Response to Performance Audit on Mail Services October 20, 2011

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### Action Steps and Timeframe:

- ESD will continue to actively promote direct deposit of UI payments. This method of payment is currently used by 53 percent of claimants, but not all claimants maintain bank or credit union accounts, and some who do may not consent to receiving payments in this manner.
- ESD will consider using debit cards to pay claimants, but remains concerned about debit-card fees that could reduce the buying power of UI benefits. Developing the capacity to use debit cards requires additional information technology resources. These resources are currently devoted to major improvements in our information systems.
- ESD will continue efforts to encourage employers to obtain information electronically. ESD sends quarterly business updates and other information electronically to 26,448 employers who have signed up, reducing our outgoing mail volume.
- We are eliminating our “*What’s Next?*” flyer currently mailed to all new claimants. Information in this flyer will be combined in another publication mailed to claimants after filing their initial benefit claims. This change is expected to be completed by February 2012 with an estimated annual savings of approximately \$136,000.
- ESD will continue to develop and implement: 1) the Next Generation Tax System (NGTS), with a fall 2013 go-live date, and 2) a replacement of the 15 year old GUIDE (UI) benefit payment system currently in the feasibility/planning stage. These are the most significant projects for improving the agency’s ability to transmit documents electronically. Contractors are in place and working closely with ESD to ensure that all system requirements are met.
- Continue efforts to best utilize ESD’s extensive public website and other electronic options as alternatives to mailing for both claimants and employers.

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**L&I Response:** The Department agrees with and fully supports efforts to further reduce outgoing mail volumes and costs through review of applicable mailings.

We feel it necessary to highlight the term “required” (to mail) as used in the context within this report as being subject to interpretation. L&I’s discretion to mail, versus other methods of delivery, can also be attributed to business needs, including best practices, customer requirements, legal risk (case law/due process), system constraints, etc.

L&I is committed to ongoing focus and attention toward opportunities to augment an extensive list of outgoing mail savings and efficiency realized since 2009.

### Action Steps and Timeframe:

- L&I is actively reviewing mailings for opportunities to improve efficiency and effectiveness. Numerous examples were provided in preparation of the Mail Services audit report.
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## Official State Cabinet Agency Response to Performance Audit on Mail Services October 20, 2011

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**DOL Response:** The Department of Licensing (DOL) completed the study of incoming and outgoing mail volumes for the FY 2010 performance period. RCWs and WACs were reviewed previous to and as part of this audit, and as a result, outgoing and incoming mail has been reduced due through imaging, online downloads of driver guides, online reports, and email renewal notices.

**Action Steps and Timeframe:**

- DOL continues to actively review RCWs and WACs for opportunities to provide information in alternative and accessible formats while reducing incoming and outgoing mail volumes. Numerous examples were provided in preparation of the mail services audit report and other mail volume reductions have occurred that are not included in the report, such as capturing electronic signatures in the License Service Offices.
- 

**DSHS Response:** We agree that DSHS should continue to reduce outgoing mail volume and cost wherever feasible.

**Action Steps and Timeframe:**

- Convene a workgroup to determine the process for the review of outgoing mailings, using available guidelines, by February 1, 2012.
  - Workgroup(s) inventories and conducts review of outgoing mailings through August 1, 2012.
  - Workgroup(s) researches and documents the basis for mailing the inventoried mailings. This work will identify two sets of mailings: those for which there is no administrative (or other) requirement and those where there is an administrative (or other) requirement to mail by November 1, 2012.
  - For those where there is no administrative (or other) requirement to mail, identify alternatives and complete analysis to determine whether feasible alternative exists by November 1, 2012.
  - Where required by administrative and other rules, the workgroup(s) will identify alternative methods requiring the mailings as well as possible alternatives to mailing by November 1, 2012.
  - Workgroup(s) presents findings (in report format) to management by January 1, 2013.
  - Where feasible, revise administrative rules requiring the mailing of these documents by July 1, 2013.
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**RECOMMENDATION 3:** The departments of Employment Security, Labor & Industries, Licensing, and Social and Health Services review relevant mailing requirements in state law or agency rule and pursue changes when those requirements to “mail” hinder their ability to communicate through other means.

**ESD Response:** We are reviewing these requirements and may pursue legislative and regulatory changes requiring certain documents be mailed to claimants and employers. There is a current moratorium on rule making through December 2011. The Governor's extension of the rule-making moratorium will likely delay ESD's ability to revise rules in the near future.

**Official State Cabinet Agency Response to Performance Audit on Mail Services  
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**L&I Response:** The Department supports this recommendation as evidenced by our successful efforts in the 2009 and 2011 legislative sessions to modify laws to increase flexibility and reduce associated volume/cost. L&I realizes the urgency of updating guiding laws and requirements, and the connection to improving effectiveness, stewardship, and customer service.

2009 (HB 1426) – allows electronic return receipts to be used in place of traditional hard copies for certified mail.

2011 (ESHB 1725) – allows customers to opt in for electronic distribution of correspondences in lieu of traditional outgoing mail volumes. Specific to the Workers' Compensation program, it includes the same provisions as SSB 5067 described below.

2011 (SSB 5067) – allows use of methods, including electronic, by which the mailing can be tracked or the delivery can be confirmed in lieu of traditional certified and/or registered mail.

**Action Steps and Timeframe:**

- L&I will continue to dedicate priority to removal of barriers posed through agency rule and laws.

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**DOL Response:** The Department continues to look for opportunities to reduce incoming and outgoing mail volumes and is willing to provide DES with the results of actions taken including implementation costs, projected or actual savings.

**Action Steps and Timeframe:**

- DOL currently works with DES to analyze mail volumes and find the most effective and efficient method available to reduce costs. DOL looks forward to further direction needed to determine the format and frequency of these reports.

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**DSHS Response:** We agree that DSHS should review relevant mailing requirements in state law or agency rule and pursue changes when appropriate.

**Action Steps and Timeframe:**

- Workgroup(s) will research implementation costs and projected savings associated with changes to those mailings detailed previously in the workgroup report by July 1, 2013.
- The workgroup(s) will expand the report to detail the review of mailing requirements, subsequent changes to these requirements, and associated implementation costs and projected or actual savings by September 1, 2013.
- Workgroup(s) presents findings (in expanded report format) to management by November 1, 2013.
- Report to the Department of Enterprise Services by January 1, 2014.



**Official State Cabinet Agency Response to Performance Audit on Mail Services**  
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**RECOMMENDATION 4:** The departments of Employment Security, Labor & Industries, Licensing, and Social and Health Services report the results of their outgoing mail reduction efforts including implementation costs, projected or actual savings, and expected return on investment to the Department of Enterprise Services.

**ESD Response:** ESD supports efforts to monitor and report cost savings on an ongoing basis statewide and will report information to the Department of Enterprise Services when required. In the interim, we will continue to internally monitor our mail and postage savings.

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**L&I Response:** The Department agrees with the value of this reporting requirement as a method to consolidate key results/outcomes of multiple client agencies at a statewide level.

L&I recommends that DES, with stakeholder involvement, develop a template and procedures to direct agencies through a consistent process for calculating and reporting required data.

We anticipate this information will be applied to further refine DES guidelines and may also be used for reporting success/opportunities.

**Action Steps and Timeframe:**

- L&I will look forward to further direction on reporting requirements and will be available to assist in process/template development to facilitate useful and consistent data.

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**DOL Response:** The Department agrees with this recommendation and is willing to provide DES with the results of actions taken including implementation costs, projected or actual savings, and return on investment.

**Action Steps and Timeframe:**

- DOL looks forward to further direction on reporting requirements and will be available to assist in process/template development to facilitate useful and consistent data.

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**DSHS Response:** The Department will develop, implement, and report on measures to reduce our mailing costs.

**Action Steps and Timeframe:**

- Develop and implement metrics and tracking mechanism(s) that include implementation costs, savings, and return on investment.
- Report to the Department of Enterprise Services by January 1, 2014.

# APPENDIX A: INITIATIVE 900

Initiative 900, approved by Washington voters in 2005 and enacted into state law in 2006, authorized the State Auditor’s Office to conduct independent, comprehensive performance audits of state and local governments.

Specifically, the law directs the Auditor’s Office to “review and analyze the economy, efficiency, and effectiveness of the policies, management, fiscal affairs, and operations of state and local governments, agencies, programs, and accounts.” Performance audits are to be conducted according to U.S. General Accountability Office government auditing standards.

In addition, the law identifies nine elements that are to be considered within the scope of each performance audit. The State Auditor’s Office evaluates the relevance of all nine elements to each audit. The table below indicates which elements are addressed in the Mail Services audit. Specific issues are discussed in the Audit Results and Recommendations sections of this report.

I-900 Element	Addressed in the Audit
1. Identification of cost savings	Yes. The audit identifies several cost-saving opportunities that agencies can pursue to reduce outgoing mail and save money.
2. Identification of services that can be reduced or eliminated	Yes. The audit identifies opportunities to reduce outgoing mail.
3. Identification of programs or services that can be transferred to the private sector	No. This audit focused on reducing mail costs by reducing mail and not by outsourcing.
4. Analysis of gaps or overlaps in programs or services and recommendations to correct gaps or overlaps	Yes. This audit identified information that is provided online and through the mail, and provides recommendations to remove legislation that requires agencies to send information via “mail.”
5. Feasibility of pooling information technology systems within the department	No. However, our recommendation for agencies to consider alternatives to mail will require them to consider the capabilities of their systems.
6. Analysis of the roles and functions of the department, and recommendations to change or eliminate departmental roles or functions	No. However, this audit did focus on whether agencies could provide information differently.
7. Recommendations for statutory or regulatory changes that may be necessary for the department to properly carry out its functions	Yes. The audit recommends that the Legislature remove statutory requirements for “mailing” information.
8. Analysis of departmental performance data, performance measures, and self-assessment systems	No. This audit did not focus on agencies’ performance and focused instead on whether agencies could provide information differently.
9. Identification of best practices	Yes. The audit identifies best practices that could be applied statewide.

## APPENDIX B: SCOPE AND METHODOLOGY

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To understand Washington State agency mail practices, we looked at Consolidated Mail Services (CMS) within the Department of General Administration (GA) because CMS handles mail for most state agencies. Based on information provided by CMS for fiscal year 2010, we looked at the costs and volumes of outgoing mail that passes through CMS to identify opportunities to reduce outgoing mail volumes to achieve cost savings.

Based on this data, we developed overall mail volumes and costs for all state agencies that use CMS and determined the highest costs associated with state mail services were for outgoing mail. We used this data to identify which state agencies had the highest volumes and costs for outgoing mail in fiscal year 2010 and selected four to study in greater detail to gain an understanding of the types of information they mail to the citizens of Washington State. Representing 87 percent of outgoing mail volume processed in fiscal year 2010, these four agencies are: the departments of Employment Security, Labor & Industries, Licensing and Social and Health Services. We did not consider mail sent by state agencies not processed by CMS.

At each of our four selected agencies, we used fiscal year 2010 CMS data, and data from the selected agencies to identify high-volume mailings which we defined as those consisting of mailings of over 100,000 pieces. We asked the agencies to provide detailed information about the high-volume mailings we identified including total costs and volumes for the mailings, requirements to mail the documents, and challenges to communicating through alternate methods. We also asked each agency to provide any leading practices they used to reduce outgoing mail volumes and costs.

We looked for additional examples of actions taken by other state agencies to reduce mail volumes by working with CMS to solicit information from its state agency mail managers group who meet monthly to discuss and share information on effective mail practices. We also worked with the Governor's Office to contact Washington State agency deputy directors to provide the opportunity for agencies to share their success stories in reducing outgoing mail volumes. This allowed us to identify a broad range of practices already in place that could be used by other agencies.

We conducted the audit under the authority of state law (RCW 43.09.470), approved as Initiative 900 by Washington voters in 2005, and in accordance with generally accepted government auditing standards, prescribed by the U.S. Government Accountability Office. These standards require the audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions. Based on our review, we believe the evidence obtained is sufficiently reliable for the purposes of our audit and provides a reasonable basis for our findings, conclusions and recommendations.

# APPENDIX C: CONSOLIDATED MAIL SERVICES



CMS is a fee-for-service agency that provides mail services for 102 of the state's 150 agencies. In fiscal year 2010, CMS processed more than 66 million pieces of outgoing Postal Service mail generated by state agencies. State mail operations began in 1968 with delivery of internal mail (campus mail) to agencies in Thurston County. In 1991, the Legislature directed GA to establish a consolidated mail service to efficiently process all internal state agency mail and all incoming and outgoing USPS mail and private carrier packages for agencies in Olympia, Tumwater, and Lacey. To increase efficiencies and reduce costs to the state, CMS took on this expanded role starting in 1992 for all of Thurston County.

Today, CMS operations have expanded beyond Thurston County. CMS has 16 pickup and delivery routes throughout Western Washington, eight within and eight outside of Thurston County. The map above shows the areas served by CMS. All mail handled by CMS is brought to its Olympia facility for processing and distribution.

Consolidated Mail Services provides the following services:

**Campus Mail** - Collects and delivers internal (campus) mail between state agencies. Campus mail typically include documents delivered in envelopes, but can also include items such as concrete core samples for WSDOT, a dead crow for Department of Health, and a sample of vegetation for Department of Ecology.

**Incoming Mail** - Picks up incoming U.S. Postal Service mail for state agencies from the Post Office, sorts it, performs risk-based screening for potential threats to life and safety, and distributes it to recipient state agencies.

**Outgoing Mail** - Picks up outgoing mail from state agencies and drops it off at the Post Office for U.S. Postal Service delivery to its intended recipients. CMS provide these services for outgoing mail:

**Insert** - Automated collating, folding, and inserting of documents into envelopes for large outgoing mailings.

**Presort** - Presorting outgoing mail by zip code before it is delivered to the Post Office. This allows state agencies to pay less for postage.

**Postage Charges** – Automated application of U.S. Postal Service charges to agency mailings for which agencies reimburse CMS.

# APPENDIX D: REQUIREMENT LANGUAGE

The following table includes the definitions for the terminology we identified in federal laws, state laws (RCWs), state regulations (WACs) and bargaining agreements that agency staff cited as requiring them to mail documents. We concluded that the only term that actually requires a document be mailed is the term “mail.”

Term	Definition per <a href="http://www.merriam-webster.com">www.merriam-webster.com</a>	Requires mailing?
Authorization	An instrument that authorizes; sanction	No
Available	Accessible, obtainable	No
Copy	An imitation, transcript, or reproduction of an original work	No
Deliver	To take and hand over to or leave for another; convey; to send to an intended target or destination	No
Document	A writing conveying information; a computer file containing information input by a computer user and usually created with an application (as a word processor)	No
Electronic	Of, relating to, or being a medium (as television) by which information is transmitted electronically	No
Evidence	Something that furnishes proof	No
Form	A printed or typed document with blank spaces for insertion of required or requested information	No
Furnish	To provide or supply	No
Information	The communication or reception of knowledge or intelligence	No
Letter	A direct or personal written or printed message addressed to a person or organization	No
Mail	To send by mail	Yes
Notice	A written or printed announcement	No
Notify	To give notice of or report the occurrence of	No
Packet	A number of letters dispatched at one time	No
Send	To dispatch by a means of communication	No
Serve	To furnish or supply with something needed or desired	No
Writing	A letter, note, or notice used to communicate a record	No
Written (write)	(To) set down in writing	No

# APPENDIX E: EFFORTS TO REDUCE VOLUMES

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**W**e asked the four agencies in our audit to provide examples of ways they had reduced mail volumes. These examples are grouped according to the leading practice used by the agency to reduce outgoing mail volumes. We gathered additional examples from other state agencies through CMS' state agency mail managers group who meet monthly to discuss and share information on effective mail practices and through the Governor's office contacts with Washington State agency deputy directors on our behalf. We did not independently verify this reported information. The examples below illustrate how agencies have applied leading practices to reduce mail volumes that could potentially be expanded to other agencies.

## Using email

- DOL spent more than \$3.1 million to print and mail about 5.4 million vehicle tab renewal notices before it began using email to send them. While DOL mailed over 5 million vehicle tab renewal notices at a cost of about \$2.9 million during fiscal year 2010, the agency emailed 353,295 (about 6.5 percent), saving about **\$200,000** in postage and printing costs. A recent survey indicated that 77 percent of DOL customers who chose to receive renewal emails are satisfied with the service. DOL reports that it absorbed the implementation costs associated with emailing renewal notices into its operating budget.
- DOL no longer mails renewal notices to vessel owners. Currently, 59,581 boat owners receive email renewal notices, and DOL no longer sends out vessel renewal notices, saving DOL 100 percent of the printing and mailing costs, approximately **\$32,900** per year.
- L&I can now send information to customers electronically, instead of through the mail because of legislation passed in 2010 (ESHB 1725). L&I's planned changes are estimated to cost \$1,507,000 in 2012, \$1,115,000 in 2013, and \$348,000 each year thereafter for ongoing costs. L&I estimates these changes will result in cost savings totaling **\$3,214,966** by 2017.
- The Contracts and Procurement Unit at Department of Health (DOH) used to mail out all contract documents. They now email the documents in a PDF for signature and execution. DOH processes around 4,000 contracts a biennium. This change has significantly reduced the number of pages printed and the volume of mail sent.
- The Department of Revenue eliminated mailing 10,200 notices to monthly taxpayers who are mandated to file electronically because they are now emailed. This has resulted in an annual savings of **\$714** for printing costs and **\$3,264** for postage costs.

## Post information online

- ESD has made the filing processes for unemployment insurance claimants and employers available online or by phone. Employers can file and pay their quarterly returns and taxes to cover unemployment insurance for their employees, and unemployment Insurance claimants can file their weekly claims to receive their benefits. Currently, 96 percent of UI claimants are utilizing these methods to file their weekly claims resulting in mail cost savings of approximately \$3.9 million during the audit period. In addition, during the audit period, an average of 82 percent of employers filed electronically saving the department mailing costs of over **\$690,000**.
- Last year, DOL shipped 31,605 driver guides in 263 cases to schools. However, DOL stopped sending schools driver guides; students can now download them from the web or pick them up at a DOL field office when they receive their driver's permit. This amounts to about **\$13,800** in printing and postage costs (i.e., \$0.27 to print one guide and about \$20 to ship one case).
- In June 2011, L&I reprogrammed its system and is requiring all new employer accounts to file and pay their premiums online when a new account is established. The employer will only be able to receive a paper copy through the mail upon request. Approximately 2,000 new employers open accounts each month. The goal is to have 70 percent of employers using the online service by the end of 2011 and 80 percent by 2012.
- The Office of Insurance Commissioner added an on-line payment option for insurance premium taxes and the Regulatory Surcharge, and automated its Insurance Producer licensing function to allow on-line submittal of insurance licenses, renewals and appointments. This included the option to pay for their licensing fees on-line. The OIC processes approximately 375,000 licensees and appointments each year.
- Washington State Patrol is no longer printing the bi-monthly newsletter and mailing it to current and retired employees. This has now been posted on their website, which is saving the agency **several thousand dollars** in printing costs annually.
- The Department of Revenue is no longer mailing its "New Business Guide" to businesses registering through Department of Licensing's on-line master application, but is directing them to its website to obtain this guide. This has eliminated the mailing of 61,200 guides and resulted in an annual savings of **\$24,480** for printing costs and **\$76,500** for postage costs.
- The Department of Revenue eliminated mailing 1,417,482 monthly, quarterly and annual returns with taxpayers who sign-up to E-File their returns resulting in an annual savings of \$288,408 for printing costs and **\$453,595** for postage costs.
- The Department of Revenue eliminated mailing 41,000 quarterly local sales tax (LST) flyers to retailers who file annually and electronically. This has resulted in an annual savings of **\$34,400** for postage costs.

### Provide information via alternate formats

- DOL currently prints and distributes approximately 712,000 driver guides (in multiple languages) every 9 months. The agency is currently reviewing proposals to provide driver guides on CD as a way to reduce printing, storage, handling, and mailing costs to DOL's driver licensing offices and contracted driver training schools. If CDs completely replace the 712,000 driver guides, DOL would save more than **\$25,000** per year (i.e., \$18,783.23 every 9 months).
- Before DSHS eliminated them in fiscal year 2010, DSHS mailed over 8.4 million Medical Assistance Identification Cards (MAIDS). Yearly costs to print and mail these paper coupons totaled more than \$3.1 million. With its transition to Provider One, DSHS replaced the paper coupons with magnetic identification (Mag ID) cards. After an initial cost of \$1.1 million and continued costs of about \$336,000 per year to replace or reissue Mag ID cards, DSHS now reports saving nearly **\$2.8 million** per year by switching from paper MAIDS coupons to the Mag ID cards. Additionally, feedback from clients indicates that they prefer the Mag ID cards over the previously used paper coupons.
- ESD provides unemployment insurance (UI) claimants with the option to receive unemployment benefits through direct deposit rather than through the mail. Over 50 percent of UI claimants now use direct deposit, which has in a cost savings of over **\$1,158,000** during the audit period, or about \$.66 for each payment.

### Consolidate several mailings into one envelope

- L&I consolidated mailings to employers who set up new accounts and reduced the number of mailings from four to two. At the same time, L&I is working to reduce these remaining mailings by transitioning employers to its online service.

### Reduce or eliminate letters

- As part of its effort to streamline processes, ESD reprogrammed a portion of the General Unemployment Insurance Design Effort (GUIDE) System to only generate informational correspondence to Unemployment Insurance claimants when a major change is made that impacts the claimant's benefits instead of each time a change was made to their account. Through this effort, ESD reduced the number of mailings sent to claimants from around 22 pieces of mail per month to eight savings **\$5.44** per claimant each month
- ESD determined that they did not need to send out the "What's Next" flyer to claimants who filed an additional claim or reopened a claim because they received that information when they opened their initial claim. ESD estimated this change saved **\$60,000** in postage, plus additional savings in printing costs.
- The Office of Rules and Publications (ORP) within Medicaid Purchasing Administration (MPA) stopped mailing paper copies of billing instructions (BI) and numbered memos in mid 2003. After discontinuing the mailings for the BIs and memos, the administration's printing and mailing costs decreased to \$170,125 a year resulting in a savings of **\$99,997** per year.



- Health Care Authority and the Medicaid Purchasing Administration transitioned from mailing paper copies of contract documents to emailing them to be signed and executed. An average year would include approximately 1000 mailings at an average of \$2.00 each resulting in a savings of about \$2,000 for postage. In addition, they are no longer mailing solicitations to bidders because they are available online. On average, HCA has about 12 Request for Proposals (RFP)/Request for Qualifications and Quotations (RFQQ) per year, which would have been mailed out to approximately 30 potential bidders at a cost of \$5.00 each, plus an additional \$5.00 for mailing amendments, notices, etc. The overall savings is **\$4,320** per year

### **Scan and email documents from field offices instead of mailing**

- DOL driver field offices mail driver license applications and other paper documents to DOL headquarters, where staff scan them into a database. DOL is proposing to scan these documents at the field offices and then send them to headquarters electronically. This would avoid the mailing of more than 520,000 pieces of paper and corresponding costs for mail processing, and postage per year.

# APPENDIX F: EFFORTS TO REDUCE COSTS

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**W**e asked the four agencies in our audit to provide examples of ways they reduced mail costs outside of reducing volumes. These examples are grouped according to the leading practice used by the agency to reduce outgoing mail costs. We gathered additional examples from other state agencies through CMS's state agency mail managers group who meet monthly to discuss and share information on effective mail practices and through the Governor's Office contacts with Washington State agency deputy directors on our behalf. We did not independently verify this reported information. The examples below illustrate how agencies have applied leading practices not associated with mail volume that could potentially be expanded to other agencies.

## Send mail at cheaper rates

- L&I is currently required to send out many of the mailings for employers and claimants using the first-class mail rate due to the type of information (e.g., claim number, social security number, Unified Business Identifier (UBI) number contained in the mailing. L&I is considering using encrypted data on certain mailings so they could qualify for the standard mail rate, instead of the first-class mail rate.
- ESD reduced the postage costs of sending out the claims kit to new claimants from \$1.31 per mailing at the 1st Class full rate by switching to standard mail, resulting in an average cost of \$.54 per mailing. This change resulted in an estimated savings of over **\$357,000** during the audit period.

## Redesign mailings, forms, and envelopes

- DOL is exploring the option of redesigning the driver license renewal notifications from a letter and envelope to a postcard to reduce printing, envelope and mail processing costs. DOL currently mails about 1.0 million driver license renewal notices per year. Switching from letters in envelopes to postcards could save about **\$47,000** per year (based on \$0.022 per envelope and postage savings of \$0.025 per piece).
- DOL sends an average of 240,000-300,000 hearing notices and revision notices per year (i.e., 5,000 pieces per mailing and 4-5 mailings per month). Instead of mailing letters, DOL is printing and mailing hearing notices and revision notices double-sided onto self-mailers (i.e., mailed items without an envelope). Estimated savings are **\$11,000-\$14,000** (based on \$0.022 per envelope and postage savings of \$0.025 per piece).
- ESD identified forms sent to claimants that only had information printed on one side of the page so that both sides could be used. This required updating the GUIDE system, which tracks the UI claimants' eligibility information and processes payments for eligible UI claimants, to print double-sided.
- ESD worked with the State Printer to change the form layout and envelopes for its quarterly tax mailing by reducing the overall size of the envelope and adding a postage permit. These changes resulted in the mailing qualifying for the letter size pre-sorted discount postage rates resulting in a cost savings of over **\$64,000** during the audit period or about \$ 0.261 for each piece of mail.

- The Specialty Compliance Services (SCS) Division within L&I redesigned their self mailer forms to remove the preprinted mailing class and postage imprint on the upper right face of the form so it could receive postal discounts through Consolidated Mail Services. In addition, several individual low volume mail jobs were combined into one and the mailing frequency was changed from twice weekly for four programs to a single weekly job significantly reducing the set-up costs. This has resulted in a savings of over **\$30,000**.
- L&I is standardizing its envelopes to save on the expense of having different types of envelopes for different mailings.
- The Liquor Control Board reduced mail costs by reducing the size of the envelopes and the type of mailing (presort). For example, LCB saved **\$6,266** on presort mail moving from flats to #10 envelopes.

### **Automate insertion process and use CMS presort service to receive discounted postage rates**

- The ESD Headquarters Mail Center conducted a pilot with the WorkSource Auburn field office. Staff in that office previously prepared 2,348 mailings a month by manually folding and inserting the documentation into envelopes. Additionally, the mailings were not presorted by CMS, resulting in higher postage costs. This manual process cost the Auburn field office \$1879 a month. ESD eliminated this manual process by using the insert services at the ESD Headquarters office and the presort services at CMS. By automating the process and receiving the reduced mailings costs, the office reduced the cost to \$1,115 per month. This resulted in a cost savings of **\$763** per month and saved 17 hours of labor per month. By partnering with six other WorkSource offices throughout the state, ESD achieved a first year combined cost avoidance of over \$14,400 and a staff-time avoidance of over 539 hours.

### **Use Consolidated Mail Services Pre-Sort Services**

- Historically, less than three percent of ESD's overall mail volume was sent at a discounted postage rate. In 2007, ESD evaluated options on how to take full advantage of sending mail at the lowest postage rate possible. The least expensive yet highest return in value was to utilize existing pre-sort services provided by CMS. By June 2010, ESD increased its use of CMS pre-sort services to 97 percent and avoided over **\$4,050,000** in postage costs.

### **Reduce the number of accounts with Consolidated Mail Services**

- L&I previously had 79 outgoing accounts established with Consolidated Mail Services (CMS) so that they could identify the specific charges with each of the different mailings. This meant they were also being charged a service charge fee for each of the 79 accounts. An internal team at L&I was established that consisted of Accounts Payable, Budget, and Tumwater Headquarters Mailroom staff to assess how the number of accounts could be decreased. This team worked together to reduce the number of outgoing accounts from 79 to 14. This resulted in a savings of **\$40,320** for the 09-11 biennium.

### **Cancel postage meter leases**

- L&I eliminated four postage meters at locations and instead use CMS services. Cancelling these leases resulted in a savings of **\$85,428** during the 09-11 biennium.
- Washington State Lottery is saving \$142 a month and **\$1,700** a year, by no longer renting three meter machines and using Consolidated Mail Services for outgoing mail for three Lottery offices on the west side of the state.

### **Eliminate use of private courier service**

- L&I contracted with three private courier services to transport bank deposits, mail and other packages costing over \$200,000 a biennium. In July 2008, Consolidated Mail Services took over the two year Capital Courier contract. This saved the department **\$64,422** from July 2008 to June 2011.

### **Discontinue use of a return receipt**

- L&I was previously required to maintain a hardcopy return receipt with a signature for all certified mail by law. However, with the changes in the law they are now using an electronic delivery confirmation instead of a traditional hardcopy return receipt with certified mail. United States Postal Service maintains the electronic signature in their system and L&I staff have access to this information to print it out, if needed. This change has reduced the cost for certified mail by \$1.20 per piece of mail. This has resulted in a savings of **\$94,172** during the 09-11 biennium.
- The Elevator program within L&I discontinued the use of the return receipt for certified mail, which is not required by statute. This has resulted in a savings of **\$3,965** during the 09-11 biennium for notifications that are sent out to businesses.

### **Discontinue providing business reply envelopes**

- The Benefit Payment Control unit at ESD stopped providing prepaid and preaddressed "business reply envelopes" to recipients. ESD saved approximately **\$60,000** per year by no longer providing these envelopes.

### **Discontinue certified mailing of outstanding tax warrants to inactive contractors**

- L&I stopped sending letters regarding outstanding tax warrants as certified mail due to the undeliverable rate being nearly 100 percent. This has resulted in a savings of **\$10,749** during the 09-11 biennium.

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