United States General Accounting Office

Report to the Chairman, Subcommittee on Federal Services, Post Office, and Civil Service, Committee on Governmental Affairs, U.S. Senate

AD-A263 339

MAIL MANAGEMENT

Improved Social Security Mail Management Could Reduce Postage Costs

Apr 29 1993
93-09084
934 28 061

93 4 28 061

GAO

United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-241224

February 13, 1991

DTIC
ELECTE
APR 29 1993
S B D

The Honorable David Pryor
Chairman, Subcommittee on Federal
Services, Post Office and
Civil Service
Committee on Governmental Affairs
United States Senate

Dear Mr. Chairman:

This report responds in part to your request that we review the effectiveness of federal agencies' mail management programs. We reported on the effectiveness of the General Services Administration's leadership of federal agency mail programs in August 1990.[1] In further response to your request, we are reviewing the mail programs of selected major civilian agency mailers.

DISTRIBUTION STATEMENT A
Approved for public release;
Distribution Unlimited

This report addresses mail management at the Social Security Administration (SSA), one of the largest civilian agency mailers. It discusses issues that need to be addressed to assure high-quality mail service at the lowest possible cost to Social Security beneficiaries, wage earners, employers, and the public.

Results in Brief

DTIC QUALITY INSPECTED 4

Accession For
NTIS GRA&I ☑
DTIC TAB ☐
Unannounced ☐
Justification
By
Distribution/
Availability Codes
Dist | Avail and/or Special
A-1

SSA's mail managers have initiated some mail cost reduction measures but need more. For example, SSA now presorts its beneficiary checks and some computer-generated mailings, such as monthly benefits notices, through use of the Treasury Department's Financial Management Service (FMS), private printing contractors, and a presort service.[2] This resulted in a postage cost reduction of almost $16 million, or about 15 percent of the first-class mail costs for selected programs and locations in fiscal year 1989 (see p. 4).

However, SSA has not taken advantage of other cost reduction opportunities. SSA could have received additional postage discounts amounting to $5.3 million, less expenses, by (1) using a nine-digit ZIP Code on first-

[1] Mail Management: GSA Needs to Improve Support of Agency Programs (GAO/GGD-90-49, Aug. 7, 1990).

[2] A presort service is a private company that will presort mail to obtain postage discounts. Some presort services also prebarcode mail. Presort is a form of mail preparation that reduces USPS labor costs and qualifies the mail for a 4-cent postage discount. The mailer groups mailings sequentially by ZIP Code to bypass within-postal sorting operations.

class, computer-generated mail; (2) presorting first-class, computer-generated mail from large volume mailing locations; and (3) printing a barcode on outgoing mail where applicable.[3]

In addition, SSA could have reduced overpayments to the U.S. Postal Service (USPS) that have occurred because of overstating anticipated postage costs. Further, SSA does not have a multi-year mail management plan with goals and timetables for making mail management improvements.

SSA agreed with our findings and is beginning to take actions to realize additional savings.

Background

SSA programs affect millions of Social Security beneficiaries and wage earners. In fiscal year 1989, SSA administered programs that paid $239 billion in benefits to 44 million people. SSA paid an estimated $157 million in postage to mail checks, forms, brochures, and other information to these beneficiaries, employers, and wage earners. Computerized operations play a critical role in SSA's ability to accomplish its mission of mailing benefits and information.

SSA's policy for mail management, stated in its Administrative Instructions Manual System, is to achieve maximum economy of operations and postage costs consistent with delivery requirements. The Mail Management Branch, Division of Publications Management, Office of Publications and Logistics Management, is responsible for administering SSA's overall mail management program and establishing mail policy and procedures. Other SSA components, to some degree, provide mail guidance for the mail operations under their jurisdiction. The Office of Regional Operations is responsible for the mailing operations of program service centers (PSC), area offices, district offices, branch offices, and teleservice centers. The Office of Hearings and Appeals is responsible for the mailing activities of its headquarters and field offices. The Office of Central Records Operations is responsible for the mailing operations of its data operations centers (DOC). Together, these components are providing guidance to about 1,700 mailing locations.

SSA mails from 5 locations at its headquarters office in Baltimore, 10 regional offices, 71 area offices, 69 resident stations, 1,297 district and

[3] A barcode is a series of vertical bars and half bars representing the ZIP Code printed underneath the address on a piece of mail. Prebarcoding is applied by the mailer.

branch offices, 37 telephone service centers, 3 DOCs, 6 PSCs, 54 state Disability Determination Service offices, and 132 regional hearings offices. Each of these SSA offices generates different kinds and volumes of mail related to its particular mission function.

Federal agencies are responsible for the quality and the cost of their mail programs. One of the responsibilities of mail management is to control or reduce postage costs wherever possible. Effective mailing practices, such as presorting and prebarcoding, can reduce the postage costs of an agency's mail through discounts given by the USPS. The volume, mailing locations, and frequency of mailings determine how mailings are made and what discounts can be earned.

Depending upon the practices used, these discounts can reduce the postage cost of each 1-ounce, first-class letter by from .9 cents to 5 cents from the current 25-cent cost. The USPS has proposed a 20-percent first-class postage rate increase which will make use of these postage discounts even more significant for large volume mailers such as SSA. Appendix I lists the current USPS discounts for first-class mail and the proposed postage discounts requested by USPS, which will become effective in early 1991 if approved by the Postal Rate Commission.

Objective, Scope, and Methodology

Our objective was to determine whether opportunities exist for improving SSA's mail management practices and reducing postage costs. To identify opportunities, we interviewed SSA headquarters and regional mail and program officials; Health and Human Services (HHS) Inspector General (IG) officials; FMS officials; and a cognizant USPS official. We analyzed SSA postage costs and volume data for fiscal years 1987, 1988, and 1989 provided by SSA, USPS, and FMS. We did tests on this information to gain assurance that the information provided was reasonably accurate. We reviewed SSA and USPS mail regulations, memoranda, and directives. We concentrated most of our review work at SSA headquarters but included a visit to the Philadelphia Program Service Center. The Philadelphia PSC was selected because its mail volume and postage costs indicated it was a typical SSA PSC.

Using readily available volume and discount-rate data, we calculated estimates of potential gross savings from various postage reducing measures. We did not attempt to compute net savings because these amounts could vary depending on how a particular postage reducing measure might be implemented. We did, however, ask several other federal and

private sector companies who were large volume mailers whether they had achieved net savings through implementing similar measures.

We concentrated our review of SSA's mail program in areas where there was the largest volume of mail from a particular SSA program or mailing location. We focused on SSA's first-class mail because SSA records show that the majority of its mail is sent at the first-class rate. We reviewed this first-class mail to determine whether SSA was taking full advantage of the available postage discounts.

We did not review the opportunities for using lower-cost mail classes in lieu of first class at SSA centers because when we began our review the HHS IG's Office was doing audit work on this issue at SSA teleservice centers and DOCs. The IG's draft report was to have been issued in May 1990 but has been delayed due to other work priorities. Also, we did not verify the postage savings stated in the IG's December 1988 report.[4]

We obtained written comments from SSA officials and incorporated their comments in the report where appropriate. SSA comments are shown in full in appendix III. We did our work between December 1989 and May 1990 in accordance with generally accepted government auditing standards.

Principal Findings

Some SSA Mailing Procedures Are Reducing Postage Costs

SSA reduced fiscal year 1989 postage cost by almost $16 million through such means as presorting mail through FMS, private printing contractors, and a presort service. Appendix II shows SSA's fiscal year 1989 first-class mail volume by selected programs and locations.

SSA Is Presorting Some Computer-Generated Mail

A large volume of SSA's first-class mail is monthly benefit checks paid under major entitlement programs. These checks are disbursed by FMS. SSA reimburses FMS postage costs and a service charge for the cost of these mailings. FMS uses its computers to presort most checks it mails for

[4]U.S. Department of Health and Human Services, Office of Inspector General, Office of Audit, ZIP Code Software Would Be Cost-Effective and Improve Service to the Public (A-13-87-02656, Dec. 1988).

SSA. According to FMS records, this arrangement reduced SSA's fiscal year 1989 postage costs by almost $11 million.

SSA has also contracted to have some large volume mailings presorted by private printers. These contractors are mailing such information as benefit and cost-of-living notices to the public, beneficiaries, employers, and wage earners. As part of these contracts, printers mail the information using presorted mailings so they can take advantage of a presorted rate. SSA also uses a presort contractor for sorting first-class mail from its headquarters mailrooms. Presorting through contractors reduced SSA's fiscal year 1989 postage costs by over $2.1 million, less expenses.

Additionally, an SSA mail official said that, whenever possible, SSA requires contractors to presort mail to carrier routes. If cost effective, contractors amend the addresses on the SSA computer tapes to qualify for the carrier-route presort rate. By carrier-route presorting, contractors reduced SSA s fiscal year 1989 postage costs an additional $2.9 million, less expenses. These presort cost reductions are recurring and should be at least as much in succeeding years.

Other Mail Cost Reduction Measures Are Being Used

SSA has instituted other mail management measures and procedures to reduce mailing volume and costs. These measures and procedures include (1) using a governmentwide contractor, rather than more expensive alternatives, for overnight mail; (2) consolidating or pouching overnight and regular mail to regional and district offices; (3) mailing publications at less than the first-class rate; (4) providing mail guidance in the form of mail tips sheets to SSA program employees; and (5) using light fiberglass reinforced envelopes rather than heavy padded paper envelopes for non-letter-sized mail. SSA mail officials had not assigned a dollar value to these mail management techniques and procedures.

Better Use of Postage Discounts Could Reduce SSA's Mail Costs

The USPS offers financial incentives for mailers meeting USPS preparation requirements. USPS can more efficiently move mail from one destination to another if it is properly addressed and contains a nine-digit ZIP Code and/or is barcoded. Since these steps reduce USPS mail handling, USPS rewards mailers with discounts. Under both the current postage rate schedule and the proposed rate increases recently requested, these discounts are excellent ways for major mailers to reduce postage costs (see app. I). SSA could have saved an additional $5.3 million, less expenses, by taking full advantage of all the discounts offered by the USPS.

Use of ZIP Code Software Would Be Cost Effective

In his December 1988 audit report, the HHS IG recommended, among other things, that SSA acquire ZIP Code software which would (1) verify, correct, and maintain address records and five-digit ZIP Codes and (2) attach ZIP + 4 Codes to the addresses. The IG's report said that using ZIP Code software would improve mail delivery and reduce mailing costs up to $5 million annually, based on fiscal year 1986 postage volume and rates. This potential $5 million cost reduction stressed increased use of carrier route and ZIP + 4 discounts. Using information presented in the IG's report, we estimated that about $.6 million was attributable to ZIP + 4 discounts.

SSA officials agreed in concept with the IG's recommendations. Because of the IG report and other planned system changes, SSA has purchased software and is currently integrating ZIP + 4 software into some of its computer program systems. An SSA official said SSA plans to integrate ZIP + 4 into its two major entitlement programs by December 1990. However, this official said no final objectives or time frame have been established for integrating ZIP + 4 into other SSA computer systems.

SSA did not use ZIP + 4 on its mailing addresses in fiscal year 1989. Use of ZIP + 4 on most mailing addresses would have allowed a postage reduction of .5 or .9 cents for each piece of mail, depending on whether the mail was presorted or not. Using fiscal year 1989 volumes and rates as a base (see app. II), we estimated SSA could obtain annual discounts of $1.5 million, less expenses, by integrating ZIP + 4 into the two major entitlement programs. An additional annual savings of $.6 million would be possible if ZIP + 4 were extended to other large-volume mail programs and locations. Expenses include such measures as the cost to quarterly update the ZIP + 4 codes in software programs. Additional expenses associated with earning postage discounts are discussed in another segment of this report (see p. 8).

Prebarcoding SSA's Mail

SSA currently does not barcode any of its outgoing mail. A mail official said SSA intends to begin prebarcoding its outgoing mail when ZIP + 4 has been integrated into its computer systems. However, SSA has no timetable or written plan for prebarcoding its mail.

Mail generally is prebarcoded in conjunction with other discounting measures. Prebarcoded mail receives a .5-cent discount in addition to the discounts earned by use of ZIP + 4 and presorting, allowing a mailer to earn a combined postage discount of 5 cents for each piece of mail. If SSA

had barcoded its ZIP + 4, presorted mail during fiscal year 1989, it could have further reduced its postage costs by $1.8 million, less expenses.

USPS is introducing some additional prebarcoding discounts under its proposed rate increases (see app. I). These proposed discounts provide greater financial incentives to prebarcode mail. For example, under the proposed rates, a prebarcoding discount of 3 cents can be earned for mail that is not presorted. Currently there is no prebarcoding discount for such mail.

Other SSA Large Mail Volume Locations Need to Reduce Postage Costs

In addition to postage savings opportunities in SSA-wide programs, several field locations and one headquarters activity with large mail volumes could reduce postage costs by using available postage discounts. SSA's six regional PSCs, three regional DOCs, and headquarters' Office of Disability and International Operations (ODIO) were not taking advantage of all the postage cost reduction opportunities available to them, such as presorting, using ZIP + 4, or prebarcoding.

During our review, SSA headquarters mail officials began visiting PSCs and DOCs to review and assess their mail operations. These officials said that the PSCs and DOCs could presort their computer-generated, first-class mail. They also said plans are currently being developed to assist the PSCs and the ODIO mail operations to presort mail.

Presorting SSA's PSCs and DOCs mail could have reduced SSA postage costs by $1.2 million, less expenses. This estimate is based on SSA's fiscal year 1989 postage volume information, and does not include the additional discounts for ZIP + 4 and prebarcoding.

Changes Planned for ODIO Mail Operations

Steps are currently being taken to presort ODIO's mail along with the mail from other headquarters mailrooms. An SSA mail program official said a request to reallocate funds has been made, costs of retrofitting mailing equipment are being obtained, and a presort contract amendment to include ODIO is being negotiated. Mail officials plan to start presorting ODIO first-class mail by early fiscal year 1991.

ODIO mailed about 4 million pieces of first-class mail in fiscal year 1989. Presorting could have reduced postage costs by about $160,000, less expenses, not including ZIP + 4 and prebarcoding.

Measures to Reduce Postage Will Necessitate Investment of Some Resources

The potential postage-reducing measures discussed above will be offset by the cost of labor and equipment needed to generate these cost reductions. Also, SSA will have to determine how to undertake these measures. Options include using government employees and equipment, contracting for services done in government facilities, or contracting for services done at the contractor's facilities. The amount of net cost reductions will depend on the method used to implement postage-reducing measures.

An organization's volume and mailing locations determine what options are most cost effective. SSA mail program officials said that it is cost effective for headquarters to use a private presort contractor to sort its first-class mail rather than using government employees and equipment. SSA shares the presort postage savings earned with the contractor, which yields SSA about a 2-cent savings for each piece of presorted mail. Mail program officials acknowledged there is some cost associated with administering the presort contract but indicated they have achieved the anticipated postage savings that make presorting by a private contractor worthwhile.

Other federal agencies and several private companies we contacted said they were achieving net savings by presorting, using ZIP + 4, and barcoding. Treasury's FMS is planning to prebarcode its mail. FMS said it will cost $1.3 million to retrofit its equipment and will recover initial barcoding costs in 12 months or less, but that these estimates are subject to change.

When a major oil company changed its computer billing system in 1988, it made changes allowing it to reduce postage costs by about $2.5 million annually. The company estimates 1990 postage discount savings of $2 million for presorting, $300,000 for using ZIP + 4, and $200,000 for barcoding about 60 million pieces of first-class mail. The company spent about $1.5 million to improve its billing systems as part of an overall system modernization, and is expected to recover the expenses associated with these postage savings in 18 months or less.

Improvements Needed in SSA's Reconciling and Estimating Postage Costs

Government mailers pay USPS a monthly provisional amount for postage costs based on anticipated postage usage. At year end, agencies reconcile actual costs with provisional payments made to USPS and determine whether an under- or overpayment has been made. These reconciliations, in the form of reports to USPS (called reimbursement reports), are due 3 months after the close of the fiscal year. USPS then audits the reports.

The following table details provisional payments made to USPS in comparison with SSA's actual postage costs, the amount of overpayments, and the time it took to reconcile these costs, for the past 5 years.

Table 1.1: Reconciliation of SSA's Postage Costs With USPS for the Past Five Fiscal Years

Fiscal year	Provisional payments to USPS	Actual postage costs	Over/ (under) payment	Months to reconcile
1989	$97,037,400	[a]	[a]	[a]
1988	91,965,700	$84,068,833	$7,896,867	[b]
1987	83,024,199	75,937,272	7,086,927	22
1986	78,051,999	72,797,535	5,254,464	31
1985	83,712,790	75,455,546	8,257,244	36

[a]Report not completed

[b]Report not reconciled with USPS, submitted July 1990

Methods of Estimating Postage Costs Need to Be Revised to Avoid Overpayments

SSA should evaluate the postage costs estimates it uses to make provisional payments to USPS. SSA program officials for each component currently determine their anticipated postage usage for a given fiscal year and report this to the budget office. The budget office then compiles this information into an overall SSA cost estimate. Since provisional payments have been consistently higher than actual costs during the last several fiscal years, SSA is overstating its anticipated postage costs.

SSA's mail policy and directives do not require program officials to consult with mail management officials when determining their components' anticipated postage costs. A mail program official said that some program officials seek mail officials' guidance and some do not. This official said that lack of knowledge of postage rates and available discounts and failure to consult with mail management officials contribute to overstating the postage cost estimate. If a program official is not aware that some mail will be sent at a less than first-class rate—for example, at the 21-cent presort rate—the component's postage costs will be overstated.

Reconciliation of Postage Reimbursement Reports Needs to Be More Timely

SSA has not timely reconciled provisional payments made to USPS with actual postage costs. The reimbursement reports have been delayed because SSA has not been timely in compiling and reporting the information supporting the actual volume and postage costs. SSA's actual postage costs for fiscal years 1986 and 1987 were not reconciled with provisional payments until 31 and 22 months after the close of the required reporting period for those fiscal years, respectively. SSA's fiscal year 1988 report was submitted to USPS in July 1990. The fiscal year 1989 report has not been completed.

Preparation of SSA's reimbursement report requires the consolidation of postage and volume cost statistics from numerous mailing locations. For example, the Office of Hearings and Appeals has 126 mailing locations that submit postage reports, which are consolidated into one component's postage report. The Mail Management Branch (MMB) reviews 28 component reports. The MMB did not provide its portion of the fiscal year 1988 report until October 1989 because of other work responsibilities and errors in the mail data provided by the reporting components. An SSA mail official said that if the postage data provided by any reporting components contain errors, they must be corrected before submitting the statistics to the budget office. Corrections of these data are time consuming; however, the MMBacquired computers in March 1990 to assist in reviewing the reports along with other mail management matters.

SSA's budget office prepares the USPS reimbursement reports at the same time it fulfills other budget responsibilities. The fiscal year 1988 SSA reimbursement report was forwarded to USPS 18 months after it was due. USPS will audit the report some time during the next several months.

Lengthy Delays Cause SSA to Lose Potential Interest Earnings

Lengthy delays in the reconciliation of postage costs cause SSA to lose potential interest earnings for overpayments made to USPS. SSA did not reconcile its fiscal years 1986 and 1987 postage costs until fiscal year 1989 even though these reports were due 3 months after the close of the fiscal year. For these two fiscal years, the difference in the estimated costs and actual postage costs were $5.3 million and $7.1 million, respectively. Interest could have been earned on SSA's funds if these accounts had been reconciled with USPS and the overpayments returned to SSA. Using the applicable average yearly prime rate compiled by the Federal Reserve, we estimate that SSA could have earned $1.353 million in interest for the fiscal year 1986 payment and $1.362 million for the fiscal year 1987 payment.

Since SSA's methods of determining postage volume and costs have not changed, it is likely that SSA also overpaid for its fiscal year 1989 postage costs.

Multi-Year Plan Needed for SSA's Mail Management Program

SSA does not have a formal written plan to guide mail management efforts. SSA mail officials provided information on some planned changes to SSA's mail program. However, planned changes are generally not written, even though the changes have an impact on several SSA components. This often requires extensive cooperation among the components. Further, respective roles have not been clearly defined, availability of funding is not assured, and timetables have not been set.

A multi-year plan should be developed to set forth definitive mail management goals and objectives. This plan should be coordinated with the budget plan and be used to make cost effective decisions when allocating resources. Regional offices should participate in developing the plan, and headquarters and regional mail activity linkages should be made explicit to ensure effective and uniform implementation. The plan should recognize the need for involvement of several functions—procurement, computer systems, program managers, and others—in making systems changes. It should also include a mechanism to provide feedback on program results. By formalizing a multi-year plan, SSA would be communicating these goals and objectives to the numerous SSA components that interact with the mail management program.

In a 1987 report,[5] we recommended that SSA develop and implement agencywide, long- and short-term operational plans and use the plans to guide policy, budget, and automated data processing (ADP) systems decisions. A follow-up report, which reiterated the recommendation, was issued in 1989.[6] We believe that SSA's mail management program should be included in the development and use of these plans.

Conclusions

While SSA has initiated some ways to reduce postage costs, it could do more to reduce mail program costs. SSA's mailing initiatives reduced fiscal year 1989 postage costs by about $16 million. However, if SSA had been using ZIP + 4 in its mailing addresses on all eligible mail and had

[5]Social Security Administration: Stable Leadership and Better Management Needed to Improve Effectiveness (GAO/HRD-87-39, Mar. 18, 1987).

[6]Social Security: Status and Evaluation of Agency Management Improvement Initiatives (GAO/HRD-89-42, July 24, 1989).

been barcoding its mail, SSA could have further reduced postage costs by $2.1 million and $1.8 million, respectively. In addition, if SSA presorted PSC, DOC, and ODIO mail, SSA could have further reduced its postage costs by $1.4 million. These estimated savings, totaling $5.3 million, are recurring and would increase if new postage rates and discounts take effect. There will be costs associated with implementing the changes needed to presort, add ZIP + 4, and barcode. However, several agencies and private companies said they were achieving net savings by using these measures.

To avoid overpayments to USPS, SSA mail and program officials need to work together to ensure that estimates of postage cost accurately reflect anticipated postage costs. SSA mail, program, and budget officials need to ensure that reimbursement reports are submitted and reconciled within the time period established by USPS. Maintaining such a time frame will help SSA avoid the loss of interest earnings on overpayments made to USPS.

An underlying cause of the failure to take advantage of all postage cost reductions is the lack of a multi-year, multi-function plan on priorities and the availability of needed resources. SSA needs to develop and implement such a multi-year mail management program with stated goals, objectives, and time frames to keep the mail program operating efficiently and effectively. This plan should be coordinated with the budget plan and indicate how SSA headquarters mail program officials will work with regional mail officials to ensure that all mailing locations, such as DOCs and PSCs, use the various available postage discounts.

Recommendations

We recommend that the Commissioner of SSA take the following actions:

- Integrate ZIP Code software into all SSA systems to take full advantage of postage discounts.
- Develop and implement specific plans to presort, add ZIP + 4, and barcode computer-generated, first-class outgoing mail from large volume mailing locations where cost beneficial.
- Develop and implement procedures to more accurately estimate postage costs to avoid overpayments to USPS.
- Reconcile actual postage costs with USPS within the time period established by USPS.
- Develop and implement a multi-year mail management plan to guide SSA's mail management efforts.

Agency Comments

In a December 17, 1990, letter the Commissioner of Social Security provided written comments on a draft of this report and agreed with our findings. (See app. III.) Specifically, the Commissioner said that SSA is (1) planning expanded use of presorted and ZIP + 4 mail, (2) planning for prebarcoded mail, (3) reviewing postage costs estimating and reconciliation methods to avoid overpayments to USPS, and (4) including the postage process as one of the key issues that SSA will examine to achieve efficiencies over the next year.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time, we will send copies to interested committees and subcommittees; the Secretary of Health and Human Services; the Commissioner, SSA; and the Director of the Office of Management and Budget. We also will make copies available to others upon request.

Major contributors to this report are listed in appendix IV. If we can be of further assistance please call me at 275-8676.

Sincerely yours,

L. Nye Stevens
Director, Government Business
Operations Issues

Contents

Letter 1

Appendix I Comparison of Current and Proposed Postage Rates and Discounts for First-Class Mail 16

Appendix II Number of SSA First-Class Mailings for Selected Locations and Programs, Fiscal Year 1989 17

Apendix III Comments From the Social Security Administration 18

Appendix IV Major Contributors to This Report 21

Glossary 22

Table

Table 1.1: Reconciliation of SSA's Postage Costs With USPS for the Past Five Fiscal Years 9

Abbreviations

ADP	Automated Data Processing
DOC	Data Operations Center
FMS	Financial Management Service
GSA	General Services Administration
HHS	Department of Health and Human Services
IG	Inspector General
MMB	Mail Management Branch
ODIO	Office of Disability and International Operations
PSC	Program Service Center
SSA	Social Security Administration
USPS	United States Postal Service

Comparison of Current and Proposed Postage Rates and Discounts for First-Class Mail (Amount in cents)

Comparison of Current and Proposed Postage Rates and Discounts for First-Class Mail

(Amount in cents)

	Rates Current	Rates Proposed	Discounts Current	Discounts Proposed
Letters, flats, small parcels				
First ounce				
Unpresorted	25.0	30.0	•	•
Presorted 3/5 digit	21.0	26.0	4.0	4.0
Presorted carrier route	19.5	24.5	5.5	5.5
Additional ounces	20.0	23.0	•	•
Automation discounts Letters				
First ounce				
Unpresorted				
ZIP + 4	24.1	28.0	0.9	2.0
Prebarcoded	N/A	27.0	•	3.0
3/5 Digit Presorted				
ZIP + 4	20.5	25.3	4.5	4.7
3-Digit Prebarcoded	N/A	24.8	•	5.2
5-Digit Prebarcoded	20.0	24.3	5.0	5.7

Source: USPS

Note: Proposed rate increases and discounts should be effective in February 1991.

Number of SSA First-Class Mailings for Selected Locations and Programs, Fiscal Year 1989

Number of SSA First-Class Mailings for Selected Locations and Programs, Fiscal Year 1989

First-class mail	25 Cents full rate	21 Cents presort rate	19.5 Cents carrier-route presort rate	Total volume
Title II benefit checks	11,394,587	226,194,307		**237,588,894**
Title XVI benefit checks	2,790,580	43,678,687		**46,469,267**
Benefit taxation report - Form 1099	277,455	4,714,301	36,930,612	**41,922,368**
Benefit notices, correspondence, and social security cards	1,527,782	36,666,757		**38,194,539**
SSA cost-of-living allowance direct deposit notices	34,556	2,184,208	16,031,647	**18,250,411**
SSI cost of living allowance notice	384,240	4,418,760		**4,803,000**
Representative payee reports -Forms 623 and	472,392	4,253,757		**4,726,149**
629				
Annual wage report Form 777	252,834	565,206		**818,040**
Program service centers	21,577,057			**21,577,057**
Data operating centers	7,742,473			**7,742,473**
Mailrooms				
ODIO	4,075,236			**4,075,236**
OCRO	758,271			**758,271**
Main	899,082			**899,082**
Total	**52,186,545**	**322,675,983**	**52,962,259**	**427,824,787**
Percentage of total mailings	12.2	75.4	12.4	**100.0**

Source: SSA Mail Management Branch and FMS.

Comments From the Social Security Administration

THE COMMISSIONER OF SOCIAL SECURITY
BALTIMORE, MARYLAND 21235

DEC 17 1990

Mr. Richard L. Fogel
Assistant Comptroller General
U.S. General Accounting Office
441 G Street, N.W. Room 3858
Washington, D.C. 20548

Dear Mr. Fogel:

Enclosed are our comments to your draft report regarding the mail management operations at the Social Security Administration. We appreciate the opportunity to comment. Let us know if we may be of further assistance.

Sincerely,

Gwendolyn S. King
Commissioner
of Social Security

Enclosure

cc:
Mr. Richard Kusserow

COMMENTS OF THE SOCIAL SECURITY ADMINISTRATION ON THE GENERAL ACCOUNTING OFFICE DRAFT REPORT, "MAIL MANAGEMENT: IMPROVEMENTS IN SOCIAL SECURITY MAIL MANAGEMENT COULD REDUCE POSTAGE COSTS"

General Accounting Office (GAO) Recommendation

That the Commissioner of Social Security integrate ZIP Code software into all the Social Security Administration (SSA) systems to take full advantage of postage discounts.

SSA Comment

We agree. The integration of ZIP Code software into SSA systems is currently under way. As of this response several ZIP Code software activities have been completed and others are targeted for completion during fiscal year (FY) 1991. We are continuing our analysis of the system changes needed to further integrate ZIP Code software into routine correspondence and other mass mailings.

GAO Recommendation

That the Commissioner develop and implement specific plans to presort, add ZIP + 4, and barcode computer-generated, first-class outgoing mail from large volume mailing locations where cost-beneficial.

SSA Comment

We concur with the GAO recommendation, and we are presently working on the expansion of our presort efforts. We expect to complete presort expansion to most of the mailings of the Office of Disability and International Operations during FY 1991. Expansion of the presort effort to the program service centers and the data operations centers will follow after completion of the systems software integration activities mentioned in the comment to the first recommendation and the acquisition of equipment.

In addition, we have successfully completed the encoding of the Master Beneficiary Record (MBR) and the Supplementary Security Record (SSR) with ZIP + 4. Our first mailing of title XVI checks with ZIP + 4 was November 1990 and we expect to mail title II checks with ZIP + 4 in March 1991. Also, mailings processed by SSA contractors that require use of MBR or SSR may now be dispatched as ZIP + 4.

We continue to work on a mail prebarcode plan that should be completed in approximately 6 months. Upon completion of the plan, we will know the implementation dates for prebarcoding mail.

GAO Recommendation

That the Commissioner develop and implement procedures to more accurately estimate postage costs to avoid overpayments to the United States Postal Service (USPS).

SSA Comment

We agree. We have moved toward this goal by performing a comprehensive review of estimated FY 1990 postage costs during August and September 1990. This review enabled us to reduce the previous FY 1990 estimate, thus reducing the gap between our FY 1990 estimate and final reconciliation, and redirect $7.6 million in FY 1990 funds toward other agency priorities. We plan to continue this approach by ensuring that most recent mail sample data are used to update current postage estimates.

GAO Recommendation

That the Commissioner reconcile actual postage costs with USPS within the time period established by USPS.

SSA Comment

We agree. In recent years we have been able to greatly reduce the reconciliation period mostly through automation, and we expect that improvement to continue.

GAO Recommendation

That the Commissioner develop and implement a multi-year mail management plan to guide its mail management efforts.

SSA Comment

We agree. In November of 1990, we designated the postage process as one of the key issues that SSA will examine in an effort to achieve efficiencies over the next 2 years.

Major Contributors to This Report

General Government Division, Washington, D.C.

Larry Herrmann, Assistant Director, Government Business Operations Issues
John S. Baldwin, Sr., Assistant Director
Jacqueline Matthews, Evaluator-in-Charge
B. Scott Pettis, Technical Advisor
Edwin Lane, Evaluator

Philadelphia Regional Office

Marilyn Wasleski, Evaluator

Glossary

Barcode	A series of vertical bars and half bars representing the ZIP Code. The barcode facilitates automated processing by optical character reader equipment.
Carrier-route presorting	A form of mail preparation that qualifies the mail for a discount of 5.5 cents per piece of mail. To qualify, the mailer must have 10 or more pieces of mail per carrier route. This level of sorting takes the mail beyond the ZIP Code level to the actual carrier level.
Express Mail	An expedited, time-sensitive, guaranteed delivery class of mail providing overnight service for material or letters weighing up to 70 pounds. There is a full refund for any shipment not delivered as prescribed. Express Mail is a USPS trademark.
First-class mail	Letters, postal cards, all matter wholly or partially in writing, and all matter sealed or otherwise closed against inspection.
Mail	Letters, telecommunications, memoranda, postcards, documents, packages, publications, and other communications received for distribution or dispatch.
Mail management	Agency activities and controls to ensure that the movement of mail meets stated goals or objectives. Mail management seeks the rapid handling and accurate delivery of mail at the lowest cost. Processing steps are kept to a minimum; sound principles of workflow are applied; and modern equipment is used. Operations are kept simple to increase efficiency.
Overnight mail	The private mailing industry service that is equivalent to the USPS service called Express Mail.
Prebarcode	Barcoding done by the mailer. (See barcode.)

Presort	A form of mail preparation that reduces USPS labor costs and qualifies for a postage discount of 4 cents. The mailer groups mailings by ZIP Code order or other USPS-recommended separation to bypass certain postal operations. Presort is a USPS trademark.
Presort service	A private company that will presort to obtain postage discounts. Some presort services also prebarcode mail.
ZIP (Zoning Improvement Plan) Code	A system of five-digit codes identifying the individual post office or metropolitan area delivery station associated with the address. ZIP Code is a USPS trademark established in 1963.
ZIP + 4 Code	A nine-digit code composed of the initial ZIP Code and an expanded four-digit code. The first two additional digits designate the sector or geographic portion of a zone, such as a rural route or several city blocks. The last two additional digits designate a specific block face, a firm, or other specific location. ZIP + 4 is a USPS trademark established in 1981.