

Commonwealth of Virginia

Mail Operational Review Report

June 2007

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July 27, 2007

Mr. Robert Myers, Deputy Director
Department of General Services
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Dear Bobby,

Thank you for your hard work in compiling the Mail Operation Review Report together with all the team members of this committee. After reviewing the report, I would like to submit this letter of support to you and congratulate you on a job well done. The committee thoroughly reviewed needed changes within the mail operations of our Commonwealth and the report successfully addresses mail security, operational and cost efficiencies, communication and education and performance measures.

The hard work of the Mail Operational Review Committee produced this significant report and I believe the Commonwealth of Virginia will greatly benefit if these suggestions are put into practice. It was a pleasure to work with you and please let me know if there is any other way that I may be of assistance.

Sincerely,

A handwritten signature in blue ink that reads "Ryan T. McDougle".

Ryan T. McDougle

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List of Abbreviations

Abbreviation	Definition
COOP	Continuity of Operations Plan
DGS	Virginia Department of General Services
DHRM	Department of Human Resource Management
DSS	Department of Social Services
FE	Federal Engineering Consultant Group
FY	Fiscal Year
LMS	Internet-Based Learning Management System
SMS	DGS State Mail Services
UPS	United Parcel Service
USPS	United States Postal Service
VEC	Virginia Employment Commission

Executive Summary

The Mail Operational Review report primarily concerns decentralization and redundancy in the mail operations of state agencies that are currently functioning both independently and inefficiently. It is the intent of this report to recommend for future implementation the adoption of best practices from both the public and private sector that would potentially increase efficiency and drive down the cost of mail operations at the Seat of Government. This report references both executive orders and directives, as well as independent assessments and studies conducted by private vendors, in reviewing mail operations background and current practices in the following areas: Security, Operational/Cost Efficiencies, Communication/Education, and Performance Measures. Included are specific recommendations for potential improvements in these areas.

In reviewing the history and current practices of agency mail operations the Mail Operational Review report sites the major source of inefficiency in all four areas to be the decentralization of mail operations. This report recommends steps to be undertaken and highlights advantages including: reduction in total cost through volume presorting and mailing, reduction in redundancy of staff and equipment, improvement in the ability to provide security and staff training at fewer locations, and ability to better measure/monitor the performance of more centralized mail operations.

The following are a few of the recommendations in the four areas of review that would facilitate the integration of the aforementioned best practices and aid in taking the next steps towards creating a more efficient operation:

- Distribute the Commonwealth Mail Security Guide and the SMS Mail Services Guide through various channels at all agencies and state mail centers.
- Provide materials and promote training on mail preparation and security measures for state employees and mail centers.
- Increase the postage discounts achieved through sorting the outgoing mail by either obtaining a presort machine and performing this function in-house or through partnership with a private vendor.
- Ensure any state agency that meters outgoing mail is required to gather and report data on that operation to create a clear picture of the Commonwealth's mail operation.

Introduction

The following report examines Commonwealth mail operations concentrating on agencies in the Richmond area with the intent of making recommendations that will have statewide benefits. Best practices have been determined through a review of existing private and public sector procedures that can be applied to state government. Although implementation of any recommendations that result from this study is not within the scope of this analysis, it is intended that such an implementation of recommendations will be sought in a second phase of operational reviews.

These topics will be addressed in the report:

- Operational/Cost Efficiencies - What processes or equipment would maximize operational efficiencies or cost savings?
- Performance Measures - How could the Commonwealth measure/monitor the performance of mail operations?
- Security - What is being done to secure incoming letters and packages as well as protect citizens, employees, and facilities?
- Communication and Education - Do state employees and agencies have the proper resources and information concerning postal operations?

Mail operations at offices in the Richmond area have been extensively studied and a consolidation initiative is underway. The Department of General Services (DGS) hired a State Mail Manager in August 2006. At the same time, the Commonwealth Postal Roundtable was formed to review mail operations at a high level and has been meeting regularly.

Even though DGS and SMS have taken great strides in the consolidation of mail services at the seat of government some of the Commonwealth mail operations remain decentralized and function independently. Decentralization had resulted in excess and redundant postal equipment and fragmented use of mail technologies. Larger operations have tended to perform at high levels of production and efficiency. Some agencies and universities have outsourced postal operations to private vendors. On average, mail operations in the Commonwealth are conducted with minimal security precautions.

The DGS State Mail Services (SMS) began offering expanded services and consolidating agencies in November 2006. Agencies that are consolidated become customers of SMS. They are provided outgoing mail services such as metering of mail and incoming services such as Post Office pick-ups and mail screening.

Commonwealth Operational Reviews

In December 2006 the Governor's Chief of Staff, Bill Leighty, announced that the Commonwealth would undertake operational reviews in eleven areas:

- Communications Usage (data, voice)
- Energy Usage
- Fleet Management (cars, trucks, air)
- Mail Processing
- Printer/Copier/Paper Usage
- Real Estate
- Receivables
- Return-to-Work Policies and Procedures
- Solid Waste Management (trash, recycling)
- Travel
- Water Usage

The areas to review were chosen because they are: fundamental to all agencies and cross-cut throughout agency operations, where well-shared ideas can be leveraged as a government enterprise for greater efficiency and effectiveness, and where reviewing/coordinating at the enterprise level will positively impact bargaining power.

Purpose of these reviews is to:

- Improve performance of the state enterprise
- Review current operational performance, methods of service delivery, costs and drivers, and ability to leverage size
- Improve transparency of the state enterprise
- Promote best practices
- Develop recommendations to make the Commonwealth more efficient, cost effective and service orientated
- Involve members of the legislature for leadership and support

The reviews are structured with representatives from both the House and the Senate providing guidance and leadership to each team. The legislative members review and approve the team's approach and final report. Subject Matter Experts were assigned to each team from various agencies and the private sector. Oversight to all teams is provided by Senator Walter Stosch, Delegate Chris Saxman, Chief Emeritus Bill Leighty, Chief of Staff Wayne Turnage, and Senior Advisor Tim Bass.

Mail processing is an operational review because:

- every agency and office has a mail operation;
- over the past five fiscal years the Commonwealth has spent almost \$300 million on mail related services;
- inefficient mail operations can result in excess spending on postage and equipment;
- there are opportunities to implement best practices and leverage consolidation;
- and mail security is a major concern of citizens and employees.

Background of Mail at the Seat of Government

2002

Executive Order 5

Executive Order 5 established the “Governor’s Commission on Efficiency and Effectiveness” on January 15, 2002. The Governor and his administration wanted to maintain a state government committed to serving the needs of its citizens by providing services in the most efficient and effective manner possible.

Secure Virginia Panel 2002 Report

The Secure Virginia Panel was established in 2002 and was chaired by the Assistant to the Governor for Commonwealth Preparedness. The Panel released a report in September 2002 with recommendations for improving the Commonwealth’s preparedness, response, and recovery capability for natural disasters as well as other emergencies, including terrorist attacks.

One of the twelve findings of the Panel was related to mail operations:

“Evaluate the feasibility of creating an off-site central mail processing facility to serve the entire Capitol Complex and that would provide for appropriate and prompt screening of mail to the three branches. This analysis should include the feasibility of creating a public-private partnership where such a facility could serve local, state, and federal agencies and interested corporate and private businesses located around the Seat of Government.”

2004

Governor’s 2004 Executive Directive

On May 18, 2004 Executive Directive 3 was published: ‘Improving Efficiency and Security of the Commonwealth’s Mail’. The Secretary of Administration was directed to perform an assessment, develop a plan, and begin implementation of a consolidated mail operation for the Richmond area. All state agencies were directed to cooperate with the consolidation initiative.

Mail Assessment

MailManagement, Inc. was awarded a contract on September 10, 2004 to perform an assessment of the current mail service operations of all state agencies at the Seat of Government in Richmond. This study gathered information on mail operations at 124 agencies through surveys and site visits.

2005

The Governor’s Commission on Efficiency and Effectiveness identified three enterprise wide initiatives for improving efficiencies: fleet operations and maintenance, Seat of Government mail operations and services, and real estate operations and services. The Department of General Services was identified to head the government mail operation initiatives.

Mail Study

On April 15, 2005 the Commonwealth awarded a contract to Federal Engineering, Inc. (FE). FE was hired to produce a report that examined future opportunities for mail handling processes at the Seat of Government. The company used the data collected from the 2004 Mail Assessment, information obtained from Commonwealth subject matter experts, and FE's research findings to generate recommendations for improvements to the Commonwealth's mail security and processing.

2006

State Budget

The 2006 Virginia Acts of Assembly - Chapter 3, Item 73-E:

“The Department of General Services shall, in conjunction with affected agencies, develop, implement, and administer a consolidated mail function to process inbound and outbound mail for agencies located in the Richmond metropolitan area. The consolidated mail function shall include the establishment of a centralized mail receiving and outbound processing location or locations, and the enhancement of mail security capabilities within these location(s).”

Operational/Cost Efficiencies

The Foreword

As the Commonwealth moves to improve upon its status as a best managed state and faces budgetary challenges, a very crucial component of the Mail Operational Review is operational and cost efficiencies. This section will recognize current operational processes and/or equipment that are being used by state agencies in the Richmond area and then identify those that could provide considerable cost savings and/or operational efficiencies to the Commonwealth.

Background

At one time in the Richmond area, most state agencies had their own mail operation center that was decentralized and operated independently. Agencies selected and procured their own equipment as well as designed and implemented their own individual mail processes. These independent operations resulted in inefficiencies throughout the Commonwealth.

The Governor of the Commonwealth of Virginia in 2004 issued Executive Directive 3 “Improving Efficiency and Security of the Commonwealth’s Mail”. This directive established a consolidated mail processing service for Executive Branch agencies and institutions whose operations, or portions thereof, are based at the Seat of Government. The Secretary of Administration was charged with executing Executive Directive 3 by performing assessments, developing a plan, and implementing a consolidated mail processing service.

In 2004, a request for proposal was issued to perform an assessment of the current mail services, to develop a plan to consolidate the mail service and assist with implementing the resulting consolidation plan. MailManagement was awarded the contract. Reviews were completed of mail operations of individual agencies and reported by MailManagement in the *MailManagement Assessment of Mail Services for the Commonwealth of Virginia* (November, 2004). To complete this study, on-site visits and interviews were conducted with the agency personnel responsible for handling the mail and this information was recorded in a mail operation survey. Measurements and photographs of the mail operations were also taken. In addition to the on-site visits, MailManagement sent via email, the mail cost survey to agencies to ascertain the more detailed salary, budgetary, and cost information.

The Commonwealth of Virginia awarded a contract to Federal Engineering (FE) in 2005 to conduct phase two of the mail services initiative building upon the results of the findings from the MailManagement Assessment. FE based its recommendations on the understanding and analysis of Virginia’s existing environment. While FE’s findings, like MailManagement before it, were supplemented by individual site visits, investigations, and analyses of data that agencies provided in written responses, FE also reviewed mail processing initiatives conducted by other state governments and private industry to

identify possible best practices. FE concluded that much of the inefficiency in Commonwealth mail operations is due to the fact that each agency acts independently.

The following long-term recommendations resulted from the Federal Engineering study:

- The Commonwealth should centralize all mail management functions into a single mail management organization.
- The Commonwealth would benefit from both an efficiency and security standpoint by consolidating the complete inbound and outbound mailing processes into two load-leveled mail production centers. These two mail production centers would utilize current technology: to consolidate all inbound mail for the purpose of security checking and identification and to consolidate all outbound mail processing (print and insertion) for processing efficiencies and postal benefits.
- Print operations should be considered as a cohesive part of the outbound mail operation and be moved from the various agencies to the mail management organization. Print and insertion functions are integral components of the mail services environment and should be managed and operated within the same organization.
- Technologies should be consolidated and customized for the major operations because there is fragmented use of mail related technologies in the Commonwealth's various agencies. This would include technology to create customized and standardized mailing correspondence, extended use of internet-based technology for constituent's payments and correspondence, and technology as a driver for development of future printed media forms.
- Future equipment purchases should be linked to the long-term vision of a consolidated mail operation. The Commonwealth incurs significant expenses related to the purchase and ongoing maintenance of its equipment.

The Federal Engineering study also proposed short-term options that would provide the building blocks for the eventual realization of a long-term strategic vision. These options looked at having one or several centralized mail processing locations for all agencies in the Richmond area.

They also suggested examining mechanized letter generation and standardized mail practices. The mechanized letter generation, also known as print-to-post, involves the centralization of printing correspondence to gain efficiencies from using one process and set of equipment. In standardizing mail practices one benefit would be postal software to "cleanse" mailing addresses, which in turn would generate incentives and alleviate penalties imposed by the USPS.

Current Mail Operations

The only comprehensive studies of mail operations were performed in 2004 and 2005 (note the aforementioned reports). Since these studies, many operations have significantly changed. One of the largest changes was the creation of the State Mail Services (SMS) that has positioned itself to start the consolidation of mail operations.

SMS is currently providing metering services for over 25 state agencies' outgoing mail. Since the hiring of the State Mail Manager in August, 2006, SMS has continued to show progress with this initiative.

Increased Postal Services: SMS has begun providing postal services to all agency customers that may not have been available before the consolidation effort. Some of these services include:

- metering of outgoing mail,
- pick-up of mail from Post Office Boxes,
- reducing the number of USPS permits agencies have to purchase,
- electronic USPS special services,
- training regarding postal operations,
- and consultation with agencies about mail issues including envelope or mail piece design.

SMS assists agencies by working together to streamline their mail operations.

Presort: Streamlining mail operations for smaller state agencies will help the Commonwealth take advantage of the various discount programs offered by the USPS to large mail operations. SMS currently works with a vendor to combine mail volumes from smaller state agencies to allow them to receive discounted postage rates for presorting. Agencies are now processing their mail at \$0.41 per piece. Under the SMS presort program, presorted mail can be processed by the USPS at \$0.36 or less.

To advance the presort initiative DGS established the Presort Study Group comprised of almost twenty state agencies to review the current mail presorting services utilized by the Commonwealth. The group will also study agency mail volumes, postage costs, and mail operations to help the Commonwealth maximize savings and determine the most beneficial presort options. SMS attained a grant from the Governor's Enterprise Solutions Group Productivity Investment Fund to implement recommendations from the Presort Study Group.

Policy and Procedures: Much headway has been made toward standardization of procedures for processing mail at the Seat of Government. The SMS Mail Services Guide outlines uniform methods for preparing mail at all agencies for which SMS services are provided and is a standard for other state agencies. It was first published in November, 2006 and has since been made available online. SMS also developed policies for security called the Commonwealth Mail Security Guide designed to help state employees become more familiar with the proper processes for handling mail and to provide an outline of security planning and preparation for Commonwealth mail centers. The State Mail Manager is currently serving on the board of the Central Virginia Postal Customer Council to ensure the state is up-to-date on the most recent USPS policies.

Recommendations

The following recommendations are offered about Operational/Cost Efficiencies:

- Develop a mechanism to charge for special services. This would allow for the development of special services and accurate cost sharing for these services. With SMS positioning itself to become a full service mail center, a formula must be in place to recover costs for SMS while at the same time saving agencies that utilize the services money.
- Increase presort usage by either obtaining a presort machine and performing this function in-house or by careful oversight of a private vendor.
- Consider print-to-post technology.
- Conduct a current survey of carrier services used by agencies. This may identify opportunities for consolidating services or offering a statewide contract.
- Obtain a better picture of the mail operations of agencies that are not currently utilizing SMS services. Look into their reasons for not doing so and address these issues.
- Consolidate USPS permits across agencies to decrease fees and increase postage savings.
- Expand the use of barcodes to increase efficiency in cost accounting of outgoing mail.
- Eliminate costly postage meters and other duplicate equipment used by agencies.
- Physically position the SMS operations closer to the Seat of Government.
- Require agencies to consult with SMS before printing mail pieces or envelopes to ensure the piece is properly designed for USPS standards and efficient processing.
- Standardize envelope size, type, and font to obtain maximum postage discounts and efficiencies.
- Reduce the number of P.O. boxes held by state agencies.
- Standardize the design of inter-agency envelopes to prompt users to fill in all necessary information
- Increase mail runs to encourage more agencies to utilize the services
- Expand the SMS inter-agency routes to increase the network that agencies can send mail for free.
- Further develop best practices and rollout to agencies.
- Continue to consolidate mail operations from smaller agencies.
- Utilize the state contract for presorting abnormal size mail that offers a substantial cost savings over regular USPS rates.
- Increase reliability of SMS mail with scanner equipment to track routes and packages.
- Reduce unwanted mail like promotional mail pieces that costs agencies time to process and handle.
- Educate and take a statewide approach to address cleansing of mailing address lists by looking at software solutions that could be utilized by all agencies.
- Create a centralized drop box(es) for SMS to pick-up mail for agencies that occasionally need a late drop.
- Explore opportunities with colleges and agencies outside of Richmond.

Performance Measures

The Foreword

Performance measurement is intended to formulate meaningful statistical criteria that demonstrate the effectiveness and efficiency of the mail consolidation initiative. Current and potential measures were analyzed in this process, as well as those performance measures used by the United States Postal Service.

Background

State Mail Services (SMS) has positioned itself to consolidate and thereby achieve efficiencies in mail processing at the Seat of Government. Performance measures are necessary to demonstrate to what extent that this can be or is being done. SMS currently collects and maintains a range of data that can be used in measuring performance. This data is collected on a monthly basis and reviewed by the State Mail Manager. The data can give a great deal of insight into statewide mail operations. It is from this data and other possible data collections that the recommendations for performance measures are based. To further demonstrate efficiencies, state agencies that process mail should be required to report this data to SMS in order for the Commonwealth to make comparisons and demonstrate progress, efficiencies, and achievable results.

Recommendations

The following recommendations are offered about Performance Measurement:

Any state agency that meters outgoing mail should be required to gather and report data on that operation. The data should be sent monthly to SMS to compile a consolidated report. This data should be broken down into two sections: data from Richmond area offices and data from field offices outside of Richmond. The items listed below need to be a part of any performance measure related to SMS:

- The number of postage meters owned or rented.
- The number of P.O. boxes rented.
- The monthly piece count for incoming mail.
- The monthly piece count for outgoing mail.
- The monthly count of letters that are presorted.
- The amount spent on postage for outgoing mail.
- The number of reportable mail incidents each month as defined by SMS.

A more detailed survey about agency postal operations could be conducted every couple of years to gather additional data.

Mail Security

The Foreword

Mail security is an area of major concern for the Mail Operational Review Team. This analysis of mail security is intended to first review current mail security practices and then identify how best practices can be applied and institutionalized to enhance mail security for the protection and well being of our citizens, employees, and facilities.

Background

Mail security has been a high profile issue since the anthrax scare in 2001. This concern at the state level covers a much broader scope than just biological threats. The Commonwealth has had to implement an innovative process for safeguarding its citizens and state employees from the threat of mail bombings, lowering or eliminating thefts within its mail centers, establishing consistency in its continuity of operations planning, and enhancing overall comprehensive security management. The Secure Virginia Panel's 2002 Report identified mail security as a major goal and the Governor's 2004 Executive Directive identified efficiency and safety as two major objectives.

The Commonwealth contracted two major studies of mail operations in the Richmond area in 2004 and 2005. These reports made an assessment of mail security operations as part of the review.

The first study by MailManagement (November 2004), *MailManagement Assessment of Mail Services for the Commonwealth of Virginia*, found that personal and physical security of the mail distribution system of the agencies and institutions in the Richmond area were completely fragmented and minimally effective. The few agencies that use X-ray technology have independent mail and package deliveries that by-pass mailroom security, rendering current security procedures meaningless. Statements by various agency personnel indicated an unfounded reliance on the United States Postal Service (USPS) and express delivery companies to provide security screening of all incoming mail.

The second study by Federal Engineering (June 2005), *Commonwealth of Virginia Mail Services Initiative*, found that the Commonwealth does not have an overall security master plan in place that addresses the current and future security requirements necessary for being considered as an integrated approach to mail security. The study recognized that developing and implementing effective cost-benefit solutions requires providing a balance between security requirements and maintaining business operations. This integrated approach must be able to resolve itself of conflict in order to achieve success and may require a cultural change in the way things have been accomplished in the past. The end result, however, should not compromise sustaining a safe and secure environment.

The Federal Engineering study offered that an effective mail security program must have many objectives, including:

- Protecting employees and building occupants;
- Minimizing the likelihood of workers compensation claims and litigation resulting from providing an unsafe work environment;
- Avoiding unwarranted, costly, and disruptive business efforts and evacuations;
- Preventing the shutdown of facilities related to threats resulting in building damage or contamination;
- Developing and implementing effective security best practices;
- Maintaining a quality oriented employee security awareness training curriculum;
- Providing training to employees on the use of security equipment;
- Having effective and tested occupant emergency plans, communications plans and continuity of operations plans; and
- Establishing facility and systems security standards, specifications and guidelines.

Current Mail Security Practices

Mail acts as a portal into state agencies and offices. The processing and distribution of mail and packages today presents ever increasing security challenges. As such, employees and facilities handling mail are becoming more exposed to potential threats such as biological and chemical agents, explosive related materials, and other contaminants. Having the ability to quickly identify, assess, isolate, and respond to the contents of these items is critical to maintaining a safe work environment and an effective mail delivery and security program. Every state agency is responsible for ensuring the safety of their employees and should provide guidance regarding potential threats in the mail system. It is for this reason that each Commonwealth of Virginia mail center must have a functional security plan and offer their employees proper training.

Currently, a limited number of large state agencies and institutions practice some form of mail security and have procedures in place to provide such security. It is believed that these measures vary widely and only a few agencies have adequate procedures in place to alert mail personnel to a potential problem with incoming mail. The large majority of other agencies have no such procedures or training in place. For the most part, these agencies rely on the USPS mail screening.

The USPS works with commercial mailers to develop security standards that the larger mailers can implement in their facilities. These standards provide the commercial mailers with security capabilities to reduce the risk that mail will be contaminated before it is delivered to the USPS. The Postal Service expects to receive mail from these commercial mailers that has been protected from possible tampering or contamination. When commercial mailers comply with USPS security standards the mail is considered safe, i.e., it has not been exposed to possible contaminations. The USPS will accept and process this safe mail without submitting for detection and possible decontamination processing.

Although technical and cost risks are low, customer concerns elevate the operational risk to a higher level when the normal citizen mail enters the mail flow. The USPS strives to blend the optimum mix of methods and technology to reduce the probability of using the

mail as a tool for biologic attacks, to minimize the health risk of any future attack, and to be prepared with a quick response strategy to contain any negative side effects. The emphasis is placed on prevention, detection, and risk reduction at the earliest point feasible in the distribution network.

The 2006 Virginia Acts of Assembly charged the Department of General Services' State Mail Services (SMS) with the task of enhancing and implementing a more uniform mail security program within state government. As a result, SMS has made mail security a top priority. SMS has created the Commonwealth Mail Security Guide as a uniform resource to assist state agencies and their employees in keeping the mail stream safe and secure. The Guide is designed to help state employees become more familiar with the proper processes for handling mail and to provide an outline of security planning and preparation for Commonwealth mail centers. The Guide offers general advice and recommends protective measures to help assess, prevent, and respond to threats in the mail stream. This Guide was developed in part from information from the United States Postal Service Guidelines and the United States General Services Administration Mail Center Security Guides.

The Commonwealth Mail Security Guide provides best practice guidance for the following issues:

- Recognizing suspicious mail and knowing how to handle it, including prevention of exposure, development of administrative controls, use of protective equipment, and engineering controls;
- Developing a strong mail center security plan, supplemented with regular training exercises, rehearsals, and reviews helps instill a culture that emphasizes the importance of security;
- Conducting a threat assessment that identifies: the assets and missions that must be protected; potential threats; vulnerability of agency assets and missions; impact or consequences if that asset was lost, damaged, destroyed or otherwise prevents the agency from performing its mission; and the risk level for each asset or mission;
- Developing comprehensive incoming mail procedures to include: limiting access to individuals who deliver mail to the mail center; making personal protection equipment available to employees; requiring employees to wear photo identification; instructing employees to challenge any unknown person in the facility; considering beneficial equipment such as X-ray machines which can enhance security; inspecting mail for suspicious characteristics; giving extra care to letters and packages to senior officials whose names or positions give them higher public visibility; and establishing procedures for handling unexplained or suspicious packages;
- Developing a loss prevention plan that prevents the theft of supplies, postage, mail and valuable information contained in sensitive mail;
- Developing physical security in a mail center focused on the location and design of the mail center to mitigate threats;

- Testing and training mail center employees in order to develop a culture of security awareness to enable them to handle threats and reduce the risk of an incident.

The Guide also contains various resources for further information about mail security as well as an emergency contact sheet and a suspicious mail poster for use by mail center staff.

Recommendations

The following recommendations are offered about Mail Security:

- The Commonwealth Mail Security Guide should be distributed to all agency heads and their mail center managers. Agency management should include mail security as a top priority to demonstrate to all employees that management is committed to their safety.
- This Guide should be distributed by the Office of Commonwealth Preparedness and posted to their website.
- Upon completion of a mail security risk assessment all agency and institution mail centers should develop a comprehensive mail screening and training program for their mail center personnel based on the Guide. Such training should be made mandatory for mail center personnel. The Department of Human Resource Management (DHRM) maintains an internet-based Learning Management System (LMS) with a number of educational and training programs for Commonwealth employees. SMS should work in concert with DHRM to make use of this training system by developing a mail security program as one of the modules of the LMS for training staff throughout the Commonwealth
- Based on the risk assessment and development of a mail security plan, agencies and institutions should request sufficient funds in their budget to bring their mail operations up to a level deemed appropriate to mitigate identified risks. Agencies should consult SMS before purchasing equipment to make sure it is appropriate and opportunities for collaboration are not overlooked. SMS should geographically distribute available X-ray equipment to major mail centers. This equipment should be available to multiple agencies to reduce duplication.
- SMS should work toward centralizing all incoming mail in the Richmond area in a remote facility for agencies and institutions that do not have the means to secure incoming mail at the level deemed appropriate to mitigate risk.
- In addition to notifying the proper authorities (i.e. Virginia State Police) in regard to any mail incident or threat, agency and institutions should be required to track and report such security issues and incidents to SMS on the form provided in the Guide.
- Agency and institution mail security plans should be incorporated in their COOP plans.
- The Mail Security Guide encourages individual agencies to perform threat assessments. The Commonwealth should conduct a centralized/coordinated assessment across all mail operations.

Communication and Education

The Foreword

Mail operations constitute a large part of running state government. All agencies send and receive mail, and for many agencies the volume can be significant. In FY2006, state agencies spent over \$58 million on mail related operations. The focus of this section is to identify opportunities where mail services can be improved at an enterprise level and where education would benefit agencies. The goal is to make sure state agencies and employees have the proper knowledge and information to efficiently run their mail operations.

Background

State Mail Services (SMS) was formed to specifically develop partnerships with state agencies to provide the optimum in mailing efficiency, mail security, cost savings, and customer service. SMS provides a consolidated mail operation to process inbound and outbound mail for agencies in the Richmond area. Agency use of SMS services is voluntary.

Current Circumstances

Most state agencies operate their mail operations independently of each other and rely on the knowledge of their internal resources to do this effectively. This reliance can limit an agency's ability to operate to its full potential utilizing best practices and taking advantage of collaborative efforts. In addition, for smaller agencies, where the reliance is on administrative personnel to receive and send mail, the knowledge about mailing options can be minimal.

Today approximately 25 state agencies are using SMS services. The reasons for the limited utilization seem to center around three primary reasons:

- Many agencies are not aware of what SMS is or what services they offer.
- Many agencies have heard about SMS but do not have the time to find out how they can help them save money or run their mail operations more efficiently.
- Many agencies are resistant to partnering with SMS. To suggest consolidating mail operations or letting someone else handle their mail puts some state agencies in a defensive posture. Many agencies view consolidation in and of itself as a loss of control that could result in higher costs to them and lower service.

A larger statewide effort focused on communication and education is needed to help agencies improve the way they manage their mail operations and to convince state agencies that mail consolidation is the most effective and cost efficient way to operate.

Recommendations

The following recommendations are offered about Communication and Education:

- Educate agencies on how consolidation efforts through SMS can save money, reduce duplicative resources and services, and operate a more efficient state government while at the same time performing at the same or better service level that they are used to.
- Educate agencies on how consolidating all outbound mail through SMS will save on postal expenses. The higher the volume that is run through presort services, the lower the cost to everyone. In addition, meter rentals can be eliminated from individual agencies
- Communicate to state agencies that SMS acts as the liaison for them with postal vendors and the USPS.
- Communicate to state agencies that SMS is available to provide free consulting service for large mailings, purchasing vs. leasing mail equipment, and even on the type of equipment to procure.
- Promote education about the SMS Mail Services Guide and the Commonwealth Mail Security Guide to keep this important information in front of agencies and to encourage them to incorporate the information into their operating procedures.
- Educate state employees on the proper way to send mail for the lowest cost and highest efficiency. For example, when to use flats vs. envelopes.
- Communicate the differences between express services, next day, and priority mail delivery. Many agencies pay for next day delivery not realizing that all mail is going out next day anyway whether they pay for this level or not. They could save money by not selecting premium services.
- Instruct on the proper ways to address mail – both outgoing postal mail and inter-agency mail. If more agencies followed established standards, their mail could be delivered more efficiently. Examples include: use of zip codes, using standard size envelopes with enough room for spraying barcodes, not using glossy/slick envelopes, etc.
- Communicate the electronic service that is available for outgoing certified mailings. Many agencies can use this service to track their certified mail instead of relying on getting return receipt cards.
- Communicate the electronic service that is available for outgoing certified mailings. Many agencies can use this service to track their certified mail instead of relying on getting return receipt cards.
- Advertise the SMS inter-agency routes. SMS has added more routes throughout the Richmond area for pickup and delivery of inter-agency mail, yet many agencies still use their own staff to deliver inter-agency mail. State agencies could save valuable time and resources by utilizing SMS to perform this service since they are already delivering to most state agency buildings several times a day with reliable service. Some state employees will pay postage to send inter-agency mail through the USPS.
- Demonstrate the UPS Mail Innovations contract that offers efficiencies and cost savings for small package delivery, indicia, and bulk mailings.

- Continue to hold quarterly Mail Forums to promote and educate state agencies and employees on mail operations. Better communication regarding these forums needs to occur to make sure the word is reaching the right audiences.
- Target education to agencies that are reluctant to change the way they do business for fear of losing service. This effort should focus on service delivery and benefits, knowing that these agencies may be skeptical of such promises of improved service through consolidation.
- Promote overall training on USPS mail preparation and security measures for new mail employees and new mail managers.
- Implement security training for all personnel involved with mail operations coupled with distribution of the Commonwealth Mail Security Guide.
- Communicate opportunities with colleges and universities to make sure they know what services are available to them and how SMS might save them money.
- Conduct regular surveys and create other opportunities for agencies to provide feedback to gauge educational needs and the most effective delivery methods.

The following delivery methods are being recommended to strengthen communication and education:

- SMS Website (<http://sms.dgs.virginia.gov>)
- DHRM Internet-Based Learning Management System
- Quarterly SMS Mail Forums and, when needed, specialized Mail Forums
- Leadership Communiqué
- SMS Newsletter
- Testimonials
- Email Groups

Mail Reduction

In recent years steps have been taken by individual agencies to reduce unnecessary mailings. These steps have resulted in savings for the Commonwealth. While potential initiatives in mail reduction lay beyond the scope of this operational review, it is the obligation of the committee to recommend future studies of such initiatives be conducted. The following are two examples of state agencies cutting costs and increasing efficiency through reduction of mailings.

Department of Taxation

At one time, the Department of Taxation mailed an individual income tax booklet to every eligible taxpayer in Virginia so that they would have the applicable forms and instructions necessary to complete and file their income tax return (approximately three million). Over the years, as taxpayers and tax practitioners began using software to prepare and file the tax returns, the department decided to cease sending tax booklets to taxpayers that had filed a return electronically or had sent in a paper tax return that was printed from computer-generated software. The idea being that they did not need paper returns and instructions because these taxpayers used a computer and had access to all the information online. This shift dramatically lowered printing and mailing costs for the Department of Taxation and today less than 500,000 tax booklets are mailed.

Department of Treasury

The Department of Treasury has implemented an electronic payment program called Pay Card for Commonwealth employee payroll, Department of Social Services (DSS) Child Support, and the Virginia Employment Commission (VEC) Benefit Payments. All three of these applications also have a direct deposit program, so the Pay Card is used to further enhance electronic payment capability. Employee payroll does not have a mandatory electronic payment requirement (either direct deposit or Pay Card). As such, only modest gains have been made in payroll check reductions. The other two applications, DSS and VEC, are now mandatory in the use of electronic payments.

All DSS Child Support benefit recipients that did not participate in the direct deposit program have been issued Pay Cards. FY 08 will be the first entire year of electronic payments and there will be an estimated 1.9 million reduction in DSS Child Support checks.

VEC now uses electronic payments to pay all new benefit recipients. In FY 08 the previous VEC benefit recipients that were receiving check payments will cycle off, and all the payments will be made electronically. This will be a reduction of approximately 1.1 million checks from FY 07.

The total number of checks printed by the Department of Treasury in FY 08 will be reduced by approximately 3.3 million over FY 07 as a result of implementing the Pay Card program and further encouraging agencies to use electronic payments.

Appendix A

Commonwealth Expenditure Report for
Mail Services

Mail - CARS Expenditures by Object Code
(ACTR1439 A3)

	Express Services 1211	Outbound Freight Services 1212	Messenger Services 1213	Postal Services 1214	Inbound Freight Services 1219	Packaging & Shipping Supplies 1335	Total
FY 2006	5,149,197.47	6,816,058.53	3,143,356.02	38,237,970.74	2,982,471.11	1,782,406.75	58,111,460.62
FY 2005	4,663,308.74	6,250,478.02	3,217,611.44	38,489,975.59	2,550,224.13	1,741,929.60	56,913,527.52
FY 2004	4,754,095.17	6,596,711.61	3,019,369.74	41,829,677.78	2,496,388.95	1,652,133.61	60,348,376.86
FY 2003	4,713,582.61	5,687,080.31	3,087,772.24	39,316,309.34	2,656,553.52	1,505,722.56	56,967,020.58
FY 2002	5,186,800.27	6,001,824.01	3,295,356.83	40,868,416.61	2,535,860.38	1,541,300.57	59,429,558.67
5 Year Total	24,466,984.26	31,352,152.48	15,763,466.27	198,742,350.06	13,221,498.09	8,223,493.09	291,769,944.25

Object Code definitions:

1211, Express Services: Include expenditures for premium services provided for express or urgent deliveries of printed matter, goods, and commodities by common or contract carrier or hired vehicles. Example services include Overnight AM, Overnight PM, Next Day, Second Day, etc.

1212, Outbound Freight Services: Include expenditures for package delivery and freight services, provided by common or contract carriers or hired vehicles for the outbound movement of commodities.

1213, Messenger Services: Include expenditures for services provided to distribute messages and packages by private or State courier services. Services of this type tend to be restricted to a local or small geographical delivery zone.

1214, Postal Services: Include expenditures for services provided to distribute printed matter by the U.S. Postal Service, eg., stamps, stamped envelopes, postage meters, and permit fees. Exclude expenditures chargeable to either 1212 or 1219.

1219, Inbound Freight Services: Include expenditures for packaged delivery and freight services provided by common or contract carriers or hired vehicles for the inbound movement of commodities. Use this category whenever shipping costs are listed as a separate line item on vendor invoices for goods or material.

1335, Packaging and Shipping Supplies: Include expenditures for boxes, cartons, containers, packing materials, and similar items.