



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 It also reviewed barriers to implementing these changes, such as agencies with old/outdated IT systems that would require extensive, costly upgrades to implement changes; the need to collect hundreds of thousands of email addresses and customer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

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.
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**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.

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**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**  
**October 20, 2011**

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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**  
**October 20, 2011**

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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.