



PERFORMANCE AUDIT REPORT

Postage Costs for State Agencies That Do Not Use Central Mail Services

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
April 1986**

Legislative Post Audit Committee

Legislative Division of Post Audit

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OBTAINING AUDIT INFORMATION

This audit was conducted by Cindy Lash, Auditor, of the Division's staff. If you need any additional information about the audit's findings, please contact Ms. Lash at the Division's offices.

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reasons for maintaining their own mail service. These officials were generally unaware of the statutory requirement to use Central Mail Services unless otherwise exempted.

All State Agencies In Shawnee County Are Required by Law To Use Central Mail Services

K.S.A. 75-4511 and K.S.A. 75-4512 require all State agencies in Shawnee County to use the central, consolidated mail service provided by the Department of Administration for all mail, unless the Secretary of Administration has determined that other more suitable arrangements for handling the mail are available. Judicial agencies and State offices located in the Shawnee County Courthouse are excluded from this requirement. The statutes allow agencies to mail directly on an occasional basis or when special or expeditious handling of the mail is required.

Agencies using postage meters are further required by K.S.A. 21-3912 to imprint information by postage meter stamp that identifies the mail as official State mail, and warns of a penalty for private use.

Eleven State Agencies In Shawnee County Do Not Use Central Mail Services

The auditors identified 11 agencies that do not use Central Mail Services. The agencies and their method of postage are shown in the table below.

<u>Agency</u>	<u>Method of Postage Used</u>
Department of Revenue	Postage Meter
Department of Health and Environment	PostageMeter
Department of Human Resources	PostageMeter
Topeka State Hospital	PostageMeter
Board of Pharmacy	Pre-printed Stamped Envelopes
Correctional-Vocational Training Center	Stamps
Dental Board	Postage Meter
Fish and Game Commission - Topeka Office	Postage Meter
Kansas Neurological Institute	Postage Meter
Department of Credit Unions	Stamps
Hearing Aid Dispensers, Board of Examiners	Stamps

Eight Divisions in Five Additional Agencies Do Not Use Central Mail Services For All Their Mail

Five agencies have units or divisions that process at least part of their own mail. Except in the case of the Highway Patrol, these divisions are physically separated from the agency's main offices. The agencies and divisions, and the method of postage used are shown in the table below.

<u>Agency and Division</u>	<u>Method of Postage Used</u>
Department of Social and Rehabilitation Services	
Food Stamps Section	Postage Meter
Disability Determination Services	Postage Meter
Topeka Area Office	Postage Meter

Grain Inspection Department	
Topeka Inspection Station	Postage Meter
Department of Transportation	
District One Office	Postage Meter
Materials Test Unit	Postage Meter
Department of Administration	
Division of Printing	Postage Meter
Highway Patrol	
Federal Grants and Executive Unit	Postage Meter

The Department of Administration Has Not Exempted Any Agencies From the Requirement to Use Central Mail Services

Agencies are required by K.S.A. 75-4511 to use Central Mail Services unless they have obtained an exemption from the Secretary of Administration. The Department has no record of exemptions granted for individual agencies to provide their own mail service. Thus, none of the 19 groups appear to be in compliance with K.S.A.75-4511. Officials of the Department indicate that agencies have been encouraged to use Central Mail Services, but have not been required to do so.

Agencies Cited a Number of Reasons for Not Using Central Mail Services

None of the agencies were aware of the statutory requirement to use Central Mail Services. Twelve of the 19 groups reported that their agency or division is not on the Central Mail Services delivery route. Central Mail Services has a van service that picks up and delivers interagency mail and regular mail to agencies in various parts of town. Other reasons cited by agencies included timeliness, special handling, and program accounting.

Twelve of the agencies or divisions are not on current Central Mail Services' delivery routes. The agencies and divisions that are not on the delivery route are listed below. Topeka State Hospital and the Topeka Area Office of the Department of Social and Rehabilitation Services are included in the list, although they have been using Central Mail Services on a trial basis for one month.

Hearing Aid Dispensers, Board of Examiners	Department of Transportation
Dental Board	District One Office
Fish and Game Commission - Topeka Office	Materials Test Unit
Kansas Neurological Institute	Department of Social and Rehabilitation Services
Topeka State Hospital	Disability Determination Services
Correctional-Vocational Training Center	Topeka Area Office
Department of Administration	Grain Inspection Department
Division of Printing	Topeka Inspection Station

Some of these groups, such as the Board of Examiners of Hearing Aid Dispensers, have a small volume of mail and are not located near other State agencies. Others are in locations that are passed daily by the Central Mail Services van on its way to other agencies. For example, the Department of Transportation's District One Office is located at 21st and Topeka Boulevard, directly on the route traveled twice daily by the Central Mail Services van to deliver interagency mail to the Department of Health and Environment. Officials of the Department of Administration state that the agencies that are not on the delivery route have not requested to be.

These Groups' Annual Costs For Equipment Rental and Maintenance Contracts Total \$15,508

Fourteen of the agencies or divisions have annual expenses for rented postage meters, and eight of them also carry maintenance contracts on owned equipment such as mailing machines and scales. The four remaining groups use stamps or pre-printed stamped envelopes. As shown in the table below, costs to individual groups range from \$165 each for the Grain Inspection Department and the Dental Board to \$8,820 for the Department of Health and Environment, which leases all its mailing equipment.

**Annual Equipment Rental and Maintenance Contract Expenses
for Agencies and Divisions That Do Not Use Central Mail Services**

<u>Agency</u>	<u>Annual Expenses for Postage Equipment</u>		
	<u>Postage Meter Rental</u>	<u>Maintenance Contracts</u>	<u>Total Equipment Expenses</u>
Department of Health and Environment (a)	\$ 8,820	\$ 0	\$ 8,820
Department of Human Resources	532	0	532
Topeka State Hospital	237	377	614
Dental Board	165	0	165
Fish and Game Commission-Topeka Office	474	323	797
Kansas Neurological Institute	194	227	421
Department of Social and Rehabilitation Services			
Food Stamps Section	\$ 438	\$ 435	\$ 873
Disability Determination Services	387	197	584
Topeka Area Office	474	765	1,239
Grain Inspection Department			
Topeka Inspection Station	165	0	165
Department of Transportation			
District One Office	252	102	354
Materials Test Unit	267	141	408
Department of Administration			
Division of Printing	216	0	216
Highway Patrol	320	0	320
Total	\$ 12,941	\$ 2,567	\$ 15,508

(a) The rental figure for the Department of Health and Environment includes all its mail equipment.

Although the actual amount spent for equipment is not large, it can increase a group's cost of mailing substantially. The Department of Transportation's Materials Test Unit and the Topeka office of the Fish and Game Commission, which both process a low volume of mail, add 20 percent to their postage-related expenses when equipment costs are figured in. Equipment rental and maintenance contracts cost the same whether the equipment is used 15 minutes a day or eight hours a day. Even the simplest models of equipment available markedly increase the postage-related costs of agencies with a low volume of mail. The Highway Patrol spends \$320 annually to rent two small postage meters. But, because the agency estimates it will use only \$1,000 of metered postage annually, the equipment will add 32 percent to its cost of mailing.

Some of These Groups Could Use Central Mail Services, But For Others It Would Not Be Cost Effective

The Department of Administration has indicated that Central Mail Services could handle a significantly larger volume of mail without adding staff or equipment. Officials of the Department were not able to specify exactly how much additional mail could be handled with current resources, but indicated that at least one agency with a large volume of mail, such as the Department of Health and Environment, could be added without exceeding current capacity.

Some groups, such as the Board of Examiners of Hearing Aid Dispensers, produce a small amount of mail and are not located near a current van route or near other agencies. For these types of groups, it could cost more to bring them into the Central Mail Services system than would be saved on postage and equipment costs. Thus, any decisions affecting these agencies' mailing methods will have to be reviewed and made on a case-by-case basis.

Recommendations

1. The Department of Administration should require all agencies that do not use Central Mail Services, but who are required to do so, to either begin using Central Mail Services or to apply for an exemption in accordance with K.S.A. 75-4511.
2. The Department of Administration should examine each exemption request for cost effectiveness and make its decisions on a case-by-case basis. Decisions should be based on an analysis of additional postage costs incurred by not presorting, equipment costs, special handling requirements or time constraints for certain types of mail, and the cost of providing centralized mail service to the agency or division.

APPENDIX A

Agency Response

A copy of the draft audit report was sent to the Department of Administration for its review and comment on March 26, 1986. The Department's response to the audit is included in this Appendix.

STATE OF KANSAS



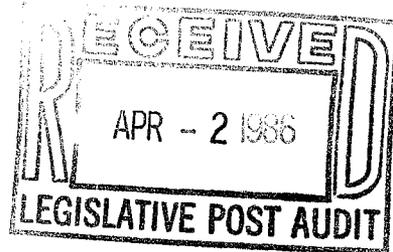
DEPARTMENT OF ADMINISTRATION
Office of the Secretary

JOHN CARLIN,
Governor
ALDEN K. SHIELDS,
Secretary of Administration

April 2, 1986

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(913) 296-3011

Mr. Meredith Williams
Legislative Post Auditor
109 West 9th, Suite 301
Mills Building
BUILDING MAIL:



Dear Mr. Williams:

I have reviewed the draft copy of the Postage Costs for State Agencies That Do Not Use Central Mail Services performance audit report. I believe that this report accurately points out that additional expenses for postage and equipment are incurred as the result of certain State agencies in Shawnee County not utilizing Central Mail Services. I have no criticism with the report and find its recommendations both appropriate and reasonable.

In order to comply with K.S.A. 75-4511, I have directed the Division of General Services to notify all State agencies that do not use Central Mail Services, but who are required to do so, to either begin using Central Mail Services or to apply for an exemption. Any exemptions will be made on a case by case basis depending on the results of a cost-benefit analysis. This examination will take into account the additional postage costs incurred by not presorting, associated equipment costs, special handling requirements or time constraints for certain types of mail, and the cost of providing centralized mail service to the Agency or division. On the basis of such an analysis, Central Mail will commence an orderly assumption of any mail processing where substantial savings and benefit would be realized. I have also instructed the Division of General Services to determine the fiscal implications of expanding Central Mail Services in terms of staffing and other associated costs, if such expansion is required.

Mr. Meredith Williams
April 2, 1986
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I or an appropriate member of my staff would be pleased to appear before the Legislative Post Audit Committee if requested.

Sincerely,



Alden K. Shields
Secretary of Administration

AKS:kdh

cc: George Welch, Division of
General Services

