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

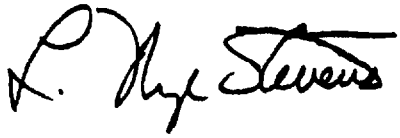
Dear Mr. Chairman:

This report responds to your request that we evaluate the General Services Administration's (GSA) support to federal agencies in managing the cost of the agencies' mail operations. It assesses GSA's role in supporting agency mail systems and opportunities for achieving cost reductions through improved GSA support. It contains recommendations to the GSA Administrator aimed at improving GSA's leadership role in federal mail management.

As arranged with your office, unless you publicly announce the contents of the report earlier, we plan no further distribution until 30 days from the date of the report. At that time we will send copies to the Administrator, General Services Administration; the Director, Office of Management and Budget; other interested congressional committees and subcommittees; and other interested parties.

The major contributors to this report are listed in appendix IV. If you have any questions, please call me at 275-8676.

Sincerely yours,



L. Nye Stevens
Director, Government Business
Operations Issues

Executive Summary

Purpose

Federal agencies' mail operations cost about $1.7 billion annually. Postage alone cost the agencies $965 million in fiscal year 1988—an increase of 52 percent from fiscal years 1979 to 1988. However, agencies' mail volume increased only 6 percent over that time. Large private sector mailers systematically seek out ways to reduce mail costs. Seeking out ways to reduce mail costs governmentwide is a role assigned to the General Services Administration (GSA).

At the request of the Chairman, Subcommittee on Federal Services, Post Office, and Civil Service, Senate Committee on Governmental Affairs, GAO obtained information from GSA, the U.S. Postal Service (USPS), agency mail program officials, and private industry to review the effectiveness of GSA support to agencies in managing mail costs.

Background

The Postal Reorganization Act of 1970 set a goal of self-sufficiency for USPS. Federal agencies, like other mailers, are expected to pay USPS for services so that it can recover its operating costs. The Federal Records Management Amendments of 1976 assigned GSA governmentwide leadership for mail management. This statutory mandate sets a central management role for GSA. GAO described a similar role for GSA in a recent report.[1] As discussed in that report, GSA's central role in buildings management should include providing leadership, oversight, and help in developing effective management programs throughout the government. The report also said that GSA should act as a central training source, do research benefiting governmentwide activities, share expertise, and use contractors rather than provide some services itself. GAO believes federal mail costs could be reduced if GSA took such an approach to its mail management responsibilities. In this report, GAO describes a central agency role that GSA could fill in mail management.

Results in Brief

GSA support for agencies' mail programs has been reduced to a minimal level and is not commensurate with agencies' needs for central agency leadership. GSA largely ignores mail management in its oversight of agencies' information resources management programs, issues guidance that is skimpy and untimely, provides no direct assistance and inadequate training delivery, and fails to identify or advocate governmentwide concerns. As a result, GSA is not realizing opportunities to improve management of governmentwide mail operations or help reduce agency mail

[1] General Services Administration: Sustained Attention Required to Improve Performance (GAO/GGD-90-14, Nov. 1989).

costs through providing support such as expanded use of contracting. GSA lacks a comprehensive plan for focusing its mail management program, and it needs a carefully crafted strategy to obtain agency support for a governmentwide mail program.

Principal Findings

Opportunities for Reducing Agency Mail Costs

Agencies can obtain large reductions in mail program costs through contracting led by GSA. Although GSA is administering an overnight mail contract that reduced federal mailing costs by $55 million in fiscal year 1989, GAO believes that agencies could realize additional cost reductions through expanded contracting. For example, agencies could realize cost reductions of between $48 million and $73 million annually in postage discounts by presorting mail, which, in many cases, could be supported by contracts let by GSA. These savings, however, would be partially offset by the costs of obtaining those discounts. For example, contractors typically claim 25 to 50 percent of discounts obtained. (See pp. 26 and 30.)

Resource Level Minimal

GSA has dedicated 1 staff year or less annually to mail management over the past several years. This low level inhibits GSA from helping agencies realize major opportunities for cost savings. This resource level has not been deliberately chosen, but stems from a generally constricted GSA budget environment and the relatively low priority accorded to mail management responsibilities. GSA has not developed a way to leverage its own resources or make better use of expertise and experience at the individual agency level. (See pp. 15 and 28.)

Agency Operations Not Reviewed

In the past, GSA directed studies of agencies' mail operations. However, in 1982 GSA merged its agency mail review responsibilities with other elements of information resources management. Agency mail programs have not been reviewed under this program. (See p. 16.)

Current Guidance Not Timely or Adequate

Agencies need comprehensive, timely guidance to take advantage of competitive rates from commercial mailing services (such as parcel shipment services) and to be responsive to new requirements for federal mail systems, such as changing to the new postage accounting system

that will be required by USPS. GSA's guide for mail management is far less useful than guidance developed by private industry and omits many issues critical to managing mail costs. For example, GSA does not provide detailed guidance for establishing and operating a mail department or a reference guide describing vendor services. (See p. 19.)

By serving as an information focal point, GSA would eliminate agencies' need to individually seek information and resolve concerns. For example, agencies have a common need for guidance to adapt to USPS' planned change from sampling as a basis for calculating postage costs to per-piece accountability through such means as postage meters. GSA could also disseminate "lessons learned" to agencies. (See p. 33.)

Technical Assistance No Longer Supplied

GSA no longer provides on-site technical assistance to support changes to agency mail operations and has no plans to do so. According to an agency official in 1982, GSA provided expertise that helped reduce agency costs by millions of dollars. Most mail managers GAO interviewed said that they would benefit from technical support. (See pp. 18 and 36.)

Training Needs Improvement and New Delivery System

GSA mail training for agencies has recently been revised, but agencies question its effectiveness and cost. Several agencies say videotaped training oriented toward mail managers, mailroom employees, and other agency personnel would be very effective and make training accessible at a reasonable cost. GSA could more effectively use its and agencies' scarce resources by developing videotaped training that could be delivered on-site and at hours convenient to personnel, thereby eliminating costs associated with off-site training. (See pp. 22 and 36.)

Agency Concerns Need Representation

GSA does not identify or advocate common agency mail management concerns. Agencies need GSA to provide a consolidated federal position when there are proposed changes in postal regulations and rates, because individual agencies do not have the resources to invest in preparing individual positions and because a governmentwide position should be more persuasive to USPS and the Postal Rate Commission. Agencies also need a consolidated federal position before USPS when there are changes in postal regulations affecting federal operations. (See pp. 21 and 35.)

GSA Planning Inadequate

GSA needs to develop a plan for meeting its mail management responsibilities. The plan should provide a strategy for meeting federal agencies'

mail management needs while recognizing GSA's evolving role as a central management agency that issues policy and oversees agency operations. The plan should be developed in consultation with the agencies and reflect their concerns. However, it should also recognize that GSA will be able to devote only limited resources to the mail management effort and that the agencies are responsible for managing their mail operations effectively at least cost. (See pp. 25 and 28.)

Recommendations to the GSA Administrator

GAO recommends that the GSA Administrator, working in close cooperation with federal agencies, develop a plan clearly laying out a strategy, including an appropriate resource level, for meeting GSA's statutory mail management responsibilities. At a minimum, the strategy should ensure that GSA

- obtains and expands competitive contracts related to agency mail operations, such as presort and overnight delivery;
- expands its Information Resources Management Review Program to include reducing agency mail costs and monitoring agency improvement efforts;
- develops timely and comprehensive written guidance that focuses on opportunities for agencies to reduce their mail costs;
- makes on-site technical assistance in mail management available to agencies using GSA's and other agencies' expertise as appropriate;
- develops training materials and a delivery system that better meet agencies' needs; and
- solicits and represents agencies' common mail concerns and disseminates important information to the federal agencies.

Agency Comments

The Administrator of the General Services Administration said that GAO's findings make it clear that GSA must once again assume a leadership role in federal mail management. The Administrator's comments are discussed on page 39 and reprinted in appendix III.

Contents

Executive Summary		2
Chapter 1 Federal Sector Mail Costs Highlight the Need for Quality Management		8
	GSA Responsibilities Require a Leadership Role	8
	Federal Agencies Hold Major Responsibilities	10
	USPS Is Primarily a Vendor	11
	Cost of Agencies' Mail Operations Is Increasing	11
	Objectives, Scope, and Methodology	12
Chapter 2 GSA Lacks an Effective Strategy for Supporting Agency Mail Management		15
	Mail Management Resource Levels Have Declined	15
	Agency Mail Operations Are Not Reviewed	16
	Value of Past Study Approach Is Questionable	17
	On-Site Support Is No Longer Provided	18
	GSA Guidance Has Not Been Timely or Adequate	19
	Agencies Lack Support in Areas of Governmentwide Concern	21
	GSA Training Lacks Agency Support	23
	GSA Lacks a Comprehensive Plan for Addressing Mail Management Responsibilities	25
	GSA-Negotiated Contracts Have Reduced Agencies' Mailing Costs	26
	Conclusions	27
Chapter 3 GSA's Mail Management Role: Proposals for the Future		28
	The New GSA Strategy Should Leverage Resource Needs	28
	Expanded GSA Contracting Effort Could Greatly Reduce Agency Mail Costs	30
	Agency Mail Practices Could Be Improved Through IRM Reviews	32
	Timely and Comprehensive Agency Guidance Is Essential	33
	GSA Mail Leadership Would Benefit From Interagency Committee Support	34
	Agencies Need Improved Representation	35
	GSA's Training Needs Improvement	36
	Technical Support Would Help Implement Change	36
	Conclusions	38
	Recommendations to the GSA Administrator	39
	Agency Comments and Our Evaluation	39

Appendixes

Appendix I: Mail Volume and Costs Have Generally Increased 40
Appendix II: First-Class Mail Rate History—1979 to 1988 41
Appendix III: Comments From the General Services Administration 42
Appendix IV: Major Contributors to This Report 43

Glossary

44

Table

Table 2.1: Summary of Contract Shipper Charges (Fiscal Year 1989) 26

Figures

Figure I.1: Mail Costs, Fiscal Years 1979-1988 40
Figure I.2: Mail Volumes, Fiscal Years 1979-1988 40

Abbreviations

COMP	Committee on Mail Policy
FMS	Financial Management Services
FRMA	Federal Records Management Amendments of 1976
FSS	Federal Supply Service
GSA	General Services Administration
IRM	information resources management
IRMS	Information Resources Management Service
MTAC	Mailers Technical Advisory Committee
OMB	Office of Management and Budget
PRA	Paperwork Reduction Act of 1980
PRC	Postal Rate Commission
USPS	United States Postal Service

Federal Sector Mail Costs Highlight the Need for Quality Management

Federal agencies' mail management programs cost about $1.7 billion in fiscal year 1988, the latest year for which verified information is available.[1] In recent testimony the Postmaster General of the United States Postal Service (USPS) said that

> ". . . there probably are $200 million in savings if various Government departments would just use the discounts that are available to them now. There are many Government agencies and departments that don't have a sophisticated method with their mail."

Mail management seeks the rapid handling and accurate delivery of the government's mail at the lowest possible cost. To achieve this goal, the General Services Administration (GSA) has said that mail management programs should provide for

- planning and monitoring agency mail operations;
- adhering to rules, regulations, and rates;
- training agency mailroom personnel and informing other agency personnel about sound mail practices;
- tracking, analyzing, and evaluating information on outgoing mail; and
- installing efficiently organized agency mail stations that promote effective mail operations.

GSA has said that, through these activities, the importance and advantages of sound mail operations can be communicated to top agency management to gain their support for mail management.

How the government manages its mail and, thus, the amount it spends on postage and mail operations is determined by the actions of GSA, federal agencies, and USPS.

GSA Responsibilities Require a Leadership Role

Public Law 94-575, known as the Federal Records Management Amendments of 1976 (FRMA), assigned GSA governmentwide leadership responsibility for mail management, among other things.[2] The FRMA made GSA responsible for

[1]Our use of the term "agencies" includes federal agencies and their subcomponents. There were about 220 federal postage accounts for penalty mail with USPS in fiscal year 1989.

[2]GSA's responsibility for mail management extends to all executive agencies and any establishment in the legislative or judicial branch of the government, except the Supreme Court, Senate, House of Representatives, and Architect of the Capitol and any activities under the Architect's direction.

- promoting economy and efficiency in mail operations;
- promulgating mail standards, procedures, and guidelines;
- studying ways to improve mail practices;
- serving as an information and training source;
- establishing appropriate interagency committees and boards to exchange mail management information;
- disseminating information on new technology in mail management; and
- publicizing the need for mail policies.

The law does not require that GSA directly provide or operate mail services for federal agencies. It recognizes that GSA, as a central management agency, should exercise leadership in fostering good mail management practices in the agencies but should not itself assume responsibility for them.

Our recent review of GSA's management made clear, with reference to GSA's central management role in buildings management, that GSA should provide leadership, oversight, and help in developing effective facilities management systems throughout the government.[3] In that review we also said that GSA should act as a central training source, do research benefiting governmentwide activities, and share expertise with the agencies. We also pointed out that when it is not feasible for GSA or the agencies to perform services, GSA should contract for those services. Also, in our management review of the Office of Management and Budget (OMB),[4] we described how OMB, as a central management agency, established interagency councils to help achieve greater agency involvement in addressing crosscutting management issues.

While it was a component of GSA, the National Archives and Records Service had been responsible for GSA's mail management program.[5] However, to get better control over information related activities, GSA transferred this responsibility to its Information Resources Management Service (IRMS), which is responsible for other agency information management elements, such as automatic data processing and telecommunications. IRMS is one of four GSA Services, each of which is headed by a commissioner responsible for policy development, program direction,

[3]General Services Administration: Sustained Attention Required to Improve Performance (GAO/GGD-90-14, Nov. 1989).

[4]Managing the Government: Revised Approach Could Improve OMB's Effectiveness (GAO/GGD-89-65, May 1989).

[5]In 1984, the Service became an independent agency called the National Archives and Records Administration.

and funding. IRMS is responsible for providing overall direction and coordination of comprehensive governmentwide programs for information resources management (automated data processing, telecommunications, and records management). It develops, coordinates, and implements governmentwide policies, procedures, and regulations pertaining to these activities.

As described in a GSA publication, GSA's mail management program was at one time vertically integrated—a single group was responsible for mail management policy, guidelines, evaluation, training, and technical assistance.[6] After GSA's restructuring, however, mail management activities were horizontally diffused across GSA. For example, training activities were transferred to GSA's Training Center, and GSA's Federal Supply Service (FSS) is currently administering a governmentwide overnight mail[7] contract that provides next-day delivery of small packages and letters at a discount.

Federal Agencies Hold Major Responsibilities

Federal agencies are fundamentally responsible for their mail management programs, but are entitled to GSA support. Federal Information Resources Management Regulation 201-45.107-2, published by GSA as guidance to all federal agencies, describes mail management responsibilities at the individual agency level. The regulation requires each federal agency to implement a mail management program. Each agency is required to

- develop and implement standards and procedures for the receipt, delivery, collection, and dispatch of mail;
- implement the mail management standards set forth in GSA guidance;
- obtain and review management information concerning the volume and types of mail processed and the time requirements for internal delivery of mail, in order to improve service and reduce program costs; and
- review, on a continuing basis, agency mail practices and procedures to find opportunities for improvement and simplification.

[6]Records Management Technical Assistance Study, Information Resources Management Service, GSA (Dec. 1988).

[7]Overnight mail is the private mailing industry service equivalent to the USPS service called Express Mail.

USPS Is Primarily a Vendor

The Postal Reorganization Act of 1970 (Public Law 91-375) set a goal that USPS become self-sufficient. The act provides that postal rates and fees be set so that postal revenues equal expenses as nearly as practicable and requires that ". . . each class of mail or type of mail service bear the direct and indirect postal costs attributable to that class or type plus that portion of all other costs of the Postal Service reasonably assignable to such class or type." Federal agencies, like other mailers, are expected to reimburse USPS for all services rendered to them.

Under FRMA, USPS has no specific federal agency mail management responsibilities. It has a limited number of account representatives who can assist agencies and provide mail management analyses as part of its general services to its customers. However, as would be expected from any vendor, USPS is not in the business of mail management from the customer's point of view. USPS assistance is focused on (1) how customers can best make use of USPS services and (2) publicizing and supporting work-sharing arrangements (such as presort,[8] ZIP + 4,[9] and barcoding[10]) that reduce operating costs for USPS while providing discounts to those entities that use these programs.

Cost of Agencies' Mail Operations Is Increasing

Total costs for federal mail programs can be divided into three categories—(1) operating costs, (2) fees paid for commercial delivery services, and (3) postage and fees paid to USPS.

GSA has estimated that federal agencies' mailroom operating costs amount to $500 million annually. On the basis of the best estimates we could obtain from private vendors, we found that federal commercial delivery services account for an estimated $250 million annually in additional federal mail costs. Postage and fees paid to USPS represent the largest portion of agencies' mail costs. Federal agencies mailed about 3 billion pieces of mail through USPS at a postage cost of $965 million in

[8]A form of mail preparation that reduces USPS labor costs and qualifies mail for postage discounts. The mailer groups pieces in a mailing by ZIP Code or other USPS-recommended separation in order to bypass certain postal operations. Presort is a USPS trademark.

[9]The nine-digit code, established in 1981, composed of (1) the Initial Code—the first five digits identifying the post office or metropolitan area delivery station associated with the address; (2) a hyphen; and (3) the expanded code, including the additional four digits. The first two additional digits designate the sector (a geographic portion of a zone, a portion of a rural route, several city blocks or a large building, part of a box section, or an official designation). The last two digits designate the segment, a specific block face, apartment house bank of boxes, a firm, a floor in a large building, or other specific location. ZIP + 4 is a USPS trademark.

[10]A series of vertical bars and half bars representing the ZIP Code printed underneath the address on a mailpiece. The barcode facilitates automated processing by optical character reader equipment.

fiscal year 1988.[11] Together, these estimates indicate that government agencies' mail programs cost about $1.7 billion annually.

Postage rate increases have significantly increased federal agencies' postage costs. These costs have increased 52 percent from fiscal year 1979 to 1988, while the volume of mail increased by only 6 percent over the same period. USPS rates for first-class mail have increased 67 percent due to four postage increases from 1979 to 1988.[12] The smaller increase in federal postage costs compared to the increase in first-class postage rates suggests that federal agencies have begun to take advantage of postal discounts over the past 10 years (available for presorting and using third- and fourth-class mail[13]).

USPS has also requested an increase in postage rates, to take effect by early 1991, of about 19 percent to cover increases in operating costs. However, large mailers who participate in USPS automation and other mail preparation programs (for example, by barcoding their own mail) can expect substantial discounts in their postage costs.

The cost of federal mail operations and anticipated postage increases point strongly toward a need to achieve the lowest cost mailing approach appropriate for federal agencies' needs.

Objectives, Scope, and Methodology

Concerned about GSA's leadership of federal agency mail programs, the Chairman, Subcommittee on Federal Services, Post Office, and Civil Service, Senate Committee on Governmental Affairs, requested that we review the effectiveness of GSA support to federal agencies in managing the cost of their mail operations, and that we identify potential opportunities for reducing the cost of agency mail operations. As requested, our specific objectives were to determine whether GSA

- allocates sufficient resources to the mail management program,
- aggressively attempts to achieve program savings,
- issues regular mail management guidance to agencies, and
- currently has any plans for improving its mail management program.

[11] A Congressional Research Service report for Congress (U.S. Congress Official Mail Costs: Fiscal Year 1972 to Present, June 13, 1989) provides detailed analyses of Congress' mail.

[12] Appendix I shows detailed annual cost and volume percentage increases (and decreases) of federal agencies' mail for fiscal years 1979 through 1988. Appendix II shows first-class postage rate increases for 1979 through 1988.

[13] See glossary for definitions.

To respond to the Chairman's request, this review focused on the effectiveness of GSA support to agencies in managing mail costs and assessed opportunities for reducing agencies' costs. Although this report concentrates on GSA's role in mail management, we also plan to report on the quality of selected agencies' mail operations in later phases of our review.

Because GSA is charged with leadership responsibilities for mail management programs in federal agencies, we focused our work on those agencies. We did not review congressional mail operations.

We did our review at GSA and USPS headquarters and at selected agencies' headquarters. We interviewed GSA officials responsible for administering the mail management program. We reviewed GSA's mail program policies, procedures, regulations, guidance, and legislative history. We interviewed USPS officials and reviewed USPS rules, regulations, and rate information. Using USPS data, we analyzed federal agencies' postage payments and mail volumes.

To determine the effectiveness of GSA's mail management program and to identify agencies' mail needs, we interviewed mail program officials in 10 government agencies that were major postage users. These agencies were the Departments of Commerce, Housing and Urban Development, Labor, and Veterans Affairs; the Government Printing Office; the Farmers Home Administration; the Federal Aviation Administration (within the Department of Transportation); the Financial Management Service (FMS) and the Internal Revenue Service (within the Department of Treasury); and the Social Security Administration (within the Department of Health and Human Services).

USPS data indicated that 5 of these 10 agencies (the Departments of Labor and Veterans Affairs, FMS, the Internal Revenue Service, and the Social Security Administration) were the largest civilian federal postage users in fiscal year 1988, with postage expenditures between $50 and $100 million each. The other five agencies and departments had postage expenditures between $6 and $18 million each. Combined, these 10 entities spent almost $484 million in fiscal year 1988 and accounted for about 50 percent of federal agencies' $965 million fiscal year 1988 postage cost.

We also did telephone interviews with mail managers at 61 federal agencies, each of which paid over $1 million in postage to USPS in fiscal year

1988. These agencies' postage charges were over $911 million—94 percent of the total postage federal agencies paid to USPS in fiscal year 1988.

We also obtained opinions on GSA's mail management role and agencies' mail operations needs during the March 1989 Committee on Mail Policy (COMP) meeting of the National Property Management Association. Representatives of 11 agencies, responsible for approximately $513 million of the 1988 federal mail payments to USPS, attended this seminar and expressed opinions. Some of these agencies also participated in our telephone interviews. We also attended COMP and Mailers Technical Advisory Committee (MTAC) meetings to observe their activities and to better understand federal and private industry mail managers' concerns.

To gain insight into mail management concepts and the training currently available and to identify the kinds of training needed by federal agencies, we attended mail training courses sponsored by GSA's training center and seminars conducted by a major commercial mail equipment vendor, the Department of Agriculture, and USPS. We interviewed eight mail service vendors and companies to determine the availability of mail services and the capability of certain equipment and services to reduce mail program costs.

Our review took place primarily between July 1988 and November 1989. We obtained written comments from the Administrator of GSA, which are discussed on page 39 and reprinted in appendix III. We did our work primarily in metropolitan Washington, D.C., in accordance with generally accepted government auditing standards.

GSA Lacks an Effective Strategy for Supporting Agency Mail Management

As defined by applicable laws and regulations (primarily the FRMA), GSA is charged with providing leadership for agency federal mail management programs. However, over the past decade GSA has reduced its leadership of agency mail management programs to the point that current activity is minimal. While GSA has recently emphasized strategic planning to meet several of its other responsibilities, it lacks a comprehensive plan for its mail leadership responsibilities. Such a plan is essential for successfully carrying out GSA's leadership role in federal mail management.

Mail Management Resource Levels Have Declined

Hearings in February 1982 pointed to the potential cost reductions to be derived from improved support to agencies from GSA's mail management program and highlighted the resource constraints that GSA faced in adequately supporting its responsibilities. During the hearing we said that GSA should put mail management reviews "high in their scale of priorities . . . making sure that the $60 million that [GSA] has estimated in 1979 as potential savings . . . is realized." However, we added that fiscal year 1983 budget cuts would substantially reduce GSA's efforts to assist agencies in lowering their postage costs through better mail management.

At these hearings, the GSA official in charge of the mail management program said that ". . . if there ever was an area where a small investment can reap a large return, it is Federal mail management." However, this official also noted that, in the late 1970s, about 20 employees were working on GSA's governmentwide mail and correspondence management programs while by early 1982, only 4 employees were working on these two governmentwide programs. Further, three of these four had received reduction-in-force notices, leaving one experienced staff member to work on the two governmentwide programs. An employee involved in GSA's mail management program at the time said that mail management staff either left or were transferred from mail management and replacements were not assigned to the area.

A senior GSA official said no GSA employee is currently assigned to work solely on mail management. GSA officials said that over the past several years, mail management activities have been diffused, but GSA has typically dedicated an aggregate of 1/2 to 1 staff year to governmentwide mail management responsibilities. This resource level has not been adequate to sustain efforts begun in earlier years to reduce mail program costs or to carry out an effective leadership role.

Agency Mail Operations Are Not Reviewed

GSA first began inspections of agency records management programs in 1964—18 years before mail management was incorporated into an information resources management context in 1982.[1] In the 1960s and 1970s, GSA did on-site inspections that typically included on-site work, briefings to the agency, a written report of findings, and follow-up to validate changes to the program.

However, during this time GSA did not give adequate attention to records management inspections at agencies. In 1975, we reported that GSA should expand its records management inspections to ensure that federal agencies move their mail in the most economical manner.[2] We reported in 1980 that although agency inspections are potentially one of its most effective tools, GSA had not increased the time devoted to this activity as recommended by the Commission on Federal Paperwork in 1977.[3] In 1981 we said that GSA's records management inspections were only marginally successful in enforcing records management (which included mail management) laws and regulations.[4] GSA and OMB agreed that more attention should be devoted to records management.

The Paperwork Reduction Act of 1980 (PRA) led to GSA merging its mail management reviews with reviews of other agency information management elements such as automatic data processing and telecommunications. The Information Resources Management (IRM) Review Programs operate on a 3-year planning and reporting cycle. At the beginning of a review cycle, GSA and OMB establish priority areas that they believe are most in need of review from a governmentwide perspective. GSA officials said that (1) agencies have never been asked to report on the quality of mail programs through the priority setting process, (2) the agencies have never reported mail program issues to them, and (3) GSA IRM reviews have never included agency mail operations.

Mail management issues also were not reported in GSA's March 1989 report to OMB for the first 3-year review cycle of agencies, which included the Departments of Agriculture, Commerce, Education, Energy,

[1]The FRMA defines records management as the planning, controlling, directing, organizing, training, promoting, and other managerial activities involved in records creation, records maintenance and use, and records disposition. Federal agencies' mail operations are included under "records maintenance and use." Mail management had been an element of GSA's records management program.

[2]Federal Agencies Could Do More to Economize on Mailing Costs (GGD-75-99, Aug. 25, 1975).

[3]Program to Improve Federal Records Management Practices Should Be Funded by Direct Appropriations (LCD-80-68, June 1980).

[4]Federal Records Management: A History of Neglect (PLRD-81-2, Feb. 24, 1981).

Health and Human Services, Interior, Justice, Labor, Transportation, Veterans Affairs, and GSA. These agencies had combined fiscal year 1988 postage costs (not including operating and other mailing costs) of $396 million.

Lack of reporting on mail management in the IRM Review Program seems inconsistent with GSA's earlier assessments of agency mail programs. In a 1981 report, we noted that GSA issued inspection reports to 33 agencies between 1965 and 1970 on agencies' records management programs.[5] Of the 33 agencies reviewed, GSA reported that 28 had mail management programs that needed improvement, 3 had no existing mail management program, and 1 had a good mail program. (One of the agencies' mail programs was not evaluated.) According to 12 agency inspection reports issued between 1975 and 1979, 6 agencies needed "much improvement," 3 agencies needed "some improvement," and only 3 agencies had what were described as "good programs."

Value of Past Study Approach Is Questionable

According to GSA officials, the IRM Review Program currently forms the basis of GSA oversight of agency mail management. The FRMA requires that GSA study agency mail operations to improve them and publicize the need for adequate mail management to federal agencies. In the past, GSA directed studies of agencies' mail operations. The last study of agency mail operations was done in fiscal year 1986; the study was initiated by a GSA challenge that 16 agencies responded to during fiscal year 1986. The results of this study were published in September 1988.[6]

GSA cites this September 1988 report as an indicator of its mail management success. GSA says in the report that "Overall, GSA's mail initiative prompted participating agencies to try to reduce their mailing costs in one year by over $76.3 million."

GSA's claim that it prompted changes to agency mail programs is questionable. For example, $60 million of the $76 million in savings claimed in the report was attributable to one bureau—FMS. Although the report says that agency savings were accomplished through GSA's fiscal year 1986 initiative, an FMS official said that the $60 million in reported savings was accomplished through an FMS program that had been in place since 1976. A GSA official said, however, that some agencies (such as the

[5] Federal Records Management: A History of Neglect (PLRD-81-2, Feb. 24, 1981.)

[6] Governmentwide Mail Management Initiative: How 16 Federal Agencies Saved Over $76 Million in Mailing Costs, Information Resources Management Service, GSA (Sept. 1988).

National Aeronautics and Space Administration) that participated in the study did attempt to improve their mail operations.

According to a former GSA employee who helped direct the 1986 mail management study, GSA's study approach essentially consisted of providing checklists of cost reduction techniques for mail management and obtaining plans and savings reports from agencies. She said that, as a result, agencies tended to regard the GSA study approach as simply a burdensome data gathering and reporting obligation rather than a useful initiative for accomplishing program improvements. Agency mail managers we interviewed were also concerned about GSA's study approach.

GSA officials said that GSA has initiated no efforts since fiscal year 1986 to study agencies' mail management programs and that GSA has no future plans for studies.

On-Site Support Is No Longer Provided

According to GSA officials, GSA has stopped providing on-site technical assistance to support changes to agencies' mail operations. According to a GSA official in 1982 hearings, GSA had been active in supporting agency changes in the following instances:

- In response to problems with its mailing lists, the Department of Health and Human Services obtained the services of a GSA analyst to revise and implement a new publications distribution system. The new system reduced the agency's mailing costs by $1.2 million annually.
- The Department of Labor obtained a GSA analyst to support presorting at the agency. Through GSA support, the Department obtained $1.2 million in annual savings.

GSA officials said that they currently have no plans to provide on-site technical assistance to agencies. GSA officials said that the current approach to providing technical assistance is limited to advice provided in response to telephone contacts; other sources of advice (such as consultants) are no longer provided. GSA officials could not recall an example of when they had provided advice to agencies in recent years.

GSA Guidance Has Not Been Timely or Adequate

The quality of GSA records management guidance (including mail management) to agencies has been a long-standing subject of concern. In 1975, we reported that GSA needed to provide clear guidance on cost-effective mailing practices and that the instructions should be revised periodically to reflect changes in the services available, along with delivery times and costs.[7]

In 1976, the Commission on Federal Paperwork criticized GSA for not issuing up-to-date handbooks on records management techniques on a timely basis. The Commission reported that the average age of GSA handbooks in 1976 was 6.8 years; GSA officials told the Commission that they were trying to lower this average to less than 3 years by fiscal year 1978. In response to questions during its fiscal year 1980 appropriations hearings, GSA said that the revised mail management handbook was going to be developed in fiscal year 1980 and that it planned to issue the revised handbook in fiscal year 1981. In attempting to explain why its records management handbooks had become more outdated after the Commission report, GSA officials said that the handbooks could not

> ". . . simply be updated by incorporating contemporary style or merely adding new developments. [They reflect] inappropriate and narrow perspectives, outdated thinking, and obsolete technologies, requiring the development of completely new concepts. The handbooks are designed to provide the 'how to' to agency personnel in implementing our regulations." [Emphasis added.]

Despite statements that GSA would provide a revised mail management handbook to federal agencies in fiscal year 1981, the published product—called a "guide" rather than a handbook—was not published until April 1989—18 years after the publication of its predecessor.

The April 1989 22-page guide essentially summarizes prior information published on mail management. Its contents can be broken down as follows:

- two chapters and two appendixes on the mail management program,
- a two-page appendix listing cost-saving techniques, and
- a three-page appendix consisting of a glossary of terms used in mail management.

If the goal of the April 1989 publication was to provide, in response to criticism from oversight groups and GSA's 1980 testimony, the "how to"

[7] Federal Agencies Could Do More to Economize on Mailing Costs (GGD-75-99, Aug. 25, 1975).

for implementing GSA regulations, the guide omitted issues critical to managing costs of mail systems.

One basis for comparing GSA performance is private industry activity in mail management. One private industry vendor, for example, publishes guidance (which is updated quarterly) that includes

- a 45-page manager's guide for establishing and operating a mail department;
- a 112-page reference guide describing vendor services; and
- a 744-page reference guide describing vendor mail schedules, rates, services available, and a listing of vendors available and the cities they deliver to.

This vendor has also developed a reference guide to inform mailers about the variety of services and costs associated with different classes of mail. A recent 16-page update to the vendor's guidance included information on

- training techniques (including videotapes and workshops);
- packaging instructions and information;
- managing office supplies;
- making international mailing easier, faster, and cost effective;
- changes in mail costs and operations by major vendors;
- computerized inventory management services;
- express mail evaluation by a vendor representative; and
- information about future mail management seminars.

In the late 1970s, GSA issued two bulletins covering topics related to mail management. In response to our August 1975 report on agency mail operations, GSA in April 1976 issued Federal Property Management Regulation Bulletin B-63 on avoiding unnecessary mail costs. In January 1978, GSA issued Federal Property Management Regulation Bulletin B-75, which provided guidelines for properly preparing and economically dispatching federal mail. A GSA official said such bulletins are no longer issued by GSA.

In January 1990, however, GSA officials provided us with a timetable for a mail operations handbook, which the officials said would serve as a supplement to the guide issued in April 1989 and would update information in the 1971 GSA handbook. Research for the handbook was scheduled to begin in February 1990; printing is scheduled for July 1991.

However, even if this schedule is met, GSA would have a 20-year gap between the planned handbook and the 1971 handbook.

Agencies Lack Support in Areas of Governmentwide Concern

The FRMA requires GSA to serve as an information clearinghouse and to establish interagency committees as necessary to improve mail management. However, GSA is currently not providing support that agencies believe would be of benefit to the federal sector. GSA IRMS personnel are currently not supporting or participating in any interagency committees on mail management. GSA is also not disseminating important information that agency managers need to support their mail operations or advocating common agency mail management concerns.

In response to both GSA's current lack of leadership and the needs of federal mail managers, the Committee on Mail Policy (COMP) was established by several large federal agencies (primarily at the initiative of the Departments of Agriculture, Commerce, Defense, and Veterans Affairs) in 1988 to provide a forum for federal mailers. Several seminars have been given covering subjects such as USPS' official mail accounting system, personnel practices, and presort approaches. GSA's IRMS was not involved in organizing COMP and, to date, no IRMS representative is participating in COMP's activities.

Although GSA is currently paying membership dues for three members (two members are non-GSA employees and one is a GSA IRMS employee) to participate in the USPS' Mailers Technical Advisory Committee (MTAC),[8] it is not disseminating the information derived from MTAC to federal mail managers. The GSA MTAC representatives also lack a forum for obtaining input from agencies' mail managers; such a forum would allow the GSA MTAC representatives to present a governmentwide position on postal issues.

Several issues were identified during this review that would warrant GSA support. USPS has applied for a new rate structure for early 1991 that could change opportunities for obtaining postal discounts. Information from the MTAC meetings could be disseminated to agency mail managers by GSA, and the agencies could begin acquiring appropriate equipment and changing their mail systems to prepare for the new postal rates and incentives.

[8]See glossary for a description of this committee.

Since USPS is not satisfied with sampling to arrive at agencies' final postage cost, it plans to move agencies toward a system called direct accountability,[9] which involves an array of procedures to verify the total cost of federal agencies' mailings. Some major agencies we interviewed are concerned about this change because it will generate equipment needs and changes in work processing.

Direct accountability will cause some agencies to completely change their current mailing and postage accounting procedures and require a major increase in equipment such as postage meters and associated maintenance. To implement such a system, agencies will have to evaluate their mail programs and determine how to support their mailing needs. Many managers said that GSA could be very valuable in preparing, along with USPS, guidance to implement direct accountability so that the hundreds of agencies affected by the new requirements would not have to individually expend resources to create their own set of procedures.

GSA's potential value as an information clearinghouse is also illustrated by the frustration that major mail vendors have with providing product information to federal agencies. One vendor we interviewed said that, due to the large number of federal agencies and the amount of time that must be invested in educating a wide range of managers about their products and showing these products' potential benefits, federal agencies received the lowest priority for their schedules. The vendor said that a single source (such as GSA), serving as a focal point for disseminating information about products and informing federal agencies of the value of such products would generate a very high level of vendor interest and support. Another vendor said that the difficulty of contacting agencies, educating them, and obtaining their interest caused the vendor to place federal agencies at the end of her list.

We believe that the vendors' position indicates that the quantity and quality of information about current products for supporting system changes to obtain postal discounts and improve system management would be greatly increased for agencies if GSA would take responsibility for such an information sharing program.

[9]Any procedure in which verifiable actual mail volumes and/or postage costs for federal agencies are recorded before or at the time of mailing to verify the agencies' total mailing costs.

GSA Training Lacks Agency Support

The average federal employee probably knows no more than the average person about USPS and other vendors, the services they offer, and how to use those services cost effectively. Considering that practically all federal employees are involved with federal mail in some capacity—as either users or employees of the mail operation—and therefore could benefit from training or information about good mail practices, the number of employees receiving GSA training is not commensurate with federal agency training needs.

There are three basic audiences for training in mail concepts in federal agencies:

- Mail originators are non-mail program employees who use the mail system. They directly affect the cost of mailings by creating the mail, packaging it for mailing, and (typically) selecting the class of mail and special services that are needed. They play a key role in mail systems but normally know no more about classes of mail and other elements of mail costs than the average person.
- Mailroom staff need to understand elements of USPS procedures and requirements. They determine the actual amount of postage required for a particular piece of mail. These employees are typically lower graded clerks who have had no prior postal training or experience, and employee turnover in this job category is high.
- Mail managers, like mailroom clerical staff, need to understand elements of USPS procedures and requirements; they also need to understand the concepts of cost-effective mail management practices. They are typically higher paid than mail clerks, but mail management is usually not their primary duty. They usually do not have prior postal experience or training.

GSA's Training Center offers a 3-day course on mail management and a 2-day course on mail operations, provided that enrollment levels allows GSA to recover its costs. In October 1988, GSA contracted to revise the mail training courses, and the revised courses were piloted in April 1989. Although GSA had offered earlier versions of these courses three times during fiscal year 1988 and only in Washington, D.C., GSA offered each course five times during fiscal year 1989 in several locations nationwide.

Mail management officials we contacted at COMP and 8 out of 10 major agency mail managers we interviewed expressed concerns about the costs of course tuition and traveling to and attending the training. The managers were also concerned that GSA lacks training that is in a format

that can be delivered quickly and easily to agency employees—typically, the agency's mail originators who select the class of mail to be used.

They also expressed a need for mail training in subjects not included in GSA's current training. For example, GSA lacks training on government mailing approaches (covering issues such as the Official Mail Accounting System and direct accountability), which was training requested by many mail managers contacted during our review. We also found that GSA courses did not include adequate training on designing and implementing an effective mail management system. Mail program officials also expressed a need for this type of training.

Mail training is particularly important for mail clerks because they generally are the final control point in determining the amount of postage placed on many agency mailings. Errors in judgment at this level can be repeated many times and waste agency resources. However, because of high turnover at these grades and because of limited training budgets for mailroom personnel, agencies are reluctant to invest in sending lower graded mail clerks to formal training outside of their immediate work locations. The cost of sending agency employees (mail originators) to GSA training would also be prohibitive to agencies. As a result, training is frequently limited to on-the-job training for mailroom personnel.

GSA records on the numbers of mail course attendees support our finding that GSA's training courses do not meet agencies' needs or budgets. Eighty-nine students attended the five courses given in fiscal year 1987 (three on mail management and two on mail operations). Two GSA training courses scheduled for August 1989 were canceled because of inadequate enrollment, and training offered in January and February 1990 was also canceled because of inadequate enrollment. (However, courses were conducted in April 1990, and courses planned for May 1990 had adequate enrollment to proceed as scheduled.)

In response to concerns about the mail management training available from GSA, the Departments of Defense and Agriculture, through COMP support, have organized a 3-day training course for federal mailers and plan to offer it in several locations nationwide during calendar year 1990.

GSA Lacks a Comprehensive Plan for Addressing Mail Management Responsibilities

As discussed above, most elements of GSA's records management responsibilities reside in IRMS. According to GSA management, this reorganization was done in order to merge all GSA IRM activities, which involve automatic data processing, telecommunications, and records management. However, we found that there has been little planning, coordination, or interaction with major federal agencies by GSA to arrive at an integrated, focused approach to support agency mail systems.

As we discussed in our November 1989 report on GSA's management, GSA began a new strategic approach to its central agency role in 1989.[10] To initiate actions and guide programs, GSA focused on its most critical and strategic management issues. The approach will involve documenting GSA's mission, environment, current status, 5- and 10-year goals, current and strategic issues, and strategies. Fiscal year 1990 performance plans for top GSA management will be tied to the plan, and in the next budget cycle, the planning and budget processes will be linked. GSA officials believe that this new process will become an intrinsic part of GSA's management approach. We found, however, that prior IRMS strategic plans (dated August 1987 and March 1988) were oriented completely toward automated data processing and telecommunications, with no reference toward supporting GSA's mail management responsibilities. IRMS officials could provide evidence of only minimal activity on mail management.

In a discussion with us, an IRMS official said that for fiscal year 1989 a few IRMS records management personnel spent about 1/2 to 1 staff year on mail management. In January 1990, IRMS officials provided a timetable for starting a mail operations handbook (to supplement its management guide, as discussed previously) in February 1990; the handbook is scheduled for printing in July 1991. An IRMS official said that this project was the only mail management work planned by IRMS in fiscal year 1990. He also said that during the summer of each year, IRMS determines the goals and objectives for the coming fiscal year and said mail management goals may or may not be in IRMS's strategic plans for the next fiscal year.

It is apparent that mail management is not a high IRMS priority. One GSA official said that GSA and other government agencies concentrate on highly visible programs; IRMS concentrates a high level of effort and

[10] General Services Administration: Sustained Attention Required to Improve Performance (GAO/GGD-90-14, Nov. 1989).

resources trying to reduce the cost of automated data processing programs. According to this official, mail management is not a prominent element of GSA's records management responsibilities.

GSA-Negotiated Contracts Have Reduced Agencies' Mailing Costs

GSA has successfully reduced agency mailing costs through the actions of its Federal Supply Service (FSS). FSS has developed and maintained a very successful overnight mail contract that has resulted in substantial cost reductions for agencies. According to an FSS official, FSS originated its overnight mail contract in response to an analysis done by the GSA Office of Inspector General in the early 1980s and FSS has managed the overnight mail contract since fiscal year 1984.

FSS data show that the contract shipper handled 271,455 overnight mail shipments for federal agencies in fiscal year 1984; the contract shipper's government work load had increased to 2,970,403 overnight mail shipments by fiscal year 1989. We estimate that the contract helped federal agencies obtain discounts from the vendors' retail charges of about $35 million in fiscal year 1987, $48 million in fiscal year 1988, and $55 million in fiscal year 1989.

Table 2.1 shows FSS contract charges and cost reductions for fiscal year 1989.

Table 2.1: Summary of Contract Shipper Charges (Fiscal Year 1989)

Shipment type	Volume	Retail charges	FSS contract charges	Government discount
Letters	1,025,237	$14,652,857	$5,478,646	$9,174,211
Overnight packages				
1-2 pounds	1,141,533	28,841,306	6,334,037	22,507,269
3-5 pounds	304,865	10,302,362	2,387,621	7,914,741
6-10 pounds	145,045	6,345,306	1,661,191	4,684,115
11-99 pounds	210,598	14,869,000	6,607,002	8,261,998
100 pounds plus	8,523	3,593,486	2,208,410	1,385,076
Second day	203	4,358	2,836	1,522
International	37,030	1,258,267	1,258,267	0
Offshore/misc.	97,369	2,518,963	1,196,561	1,322,402
Total	**2,970,403**	**$82,385,905**	**$27,134,571**	**$55,251,334**

Source: FSS.

In aggregate, agencies using this contractor during fiscal year 1989 realized a price reduction of 67 percent from the vendor's retail price.

Conclusions

GSA activity to support agency mail systems has declined over the past decade to the point that GSA currently is doing very little to help agencies improve mail management programs and reduce mail costs. The only meaningful agency support from GSA is through FSS, which has proven the value of an overnight mail contract that it negotiated on behalf of the government.

GSA no longer supplies on-site technical assistance to support changes to agency mail operations, although such assistance has generated major reductions in agency mail costs in the past.

GSA's process for reviewing agency IRM practices has resulted in no reviews of agency mail systems by either the agencies or GSA, even though reviews done in the 1970s showed common deficiencies in agency programs. GSA studies, which are no longer done, were not highly regarded by agencies and lacked GSA technical support to accomplish meaningful mail system changes. The major savings attributed by GSA to its latest study (done in 1986) were unrelated to GSA's initiative.

GSA guidance to agencies does not provide information needed by agencies, and it does not provide updates that had been provided in the past. GSA guidance is inferior to the comprehensive, up-to-date guidance provided by a private industry source.

GSA's Training Center has recently updated its mail training courses, but the relatively low level of training attendance indicates that the courses do not meet federal needs for training.

GSA is not adequately representing federal agencies' concerns before groups such as USPS or serving as an information clearinghouse for agencies.

GSA currently lacks adequate plans for supporting its responsibilities under the FRMA. Federal organizations have been left to manage their mail operations and resolve governmentwide mail system problems on their own.

GSA's Mail Management Role: Proposals for the Future

GSA needs a new strategy for controlling agencies' rising mail costs. This strategy must be carefully thought out because GSA is working with very limited resources. GSA and the agencies can realize major cost reductions in agency mail operations by creating a program for managing mail costs, sharing resources to support cost reduction actions, and monitoring improvements in agency mail operations.

The New GSA Strategy Should Leverage Resource Needs

As discussed earlier, GSA's statutory responsibilities should be supported through the central agency management philosophy described in our previously mentioned report on GSA management practices as follows: to provide leadership, oversight, and help in developing effective governmentwide management systems; act as a central training and research source; and take action where there are demonstrated economic and management advantages to having central agency management involved. As outlined in that report, GSA's role in mail management should primarily involve policy guidance and oversight, but other actions described in this chapter would also yield great benefits to federal mail operations.

In our report on OMB central management practices we suggest that, in response to limited staff resources at OMB, a key to improving agency conditions is that agencies must see reform initiatives as important if they are to have a reasonable chance of succeeding.[1] Agencies must also be made to understand that they not only have incentives for supporting governmentwide mail programs, but that they share a responsibility with GSA for addressing federal mail system issues as described by the FRMA and PRA. Utilizing the input and expertise of other agencies will allow a small nucleus of GSA personnel to obtain significant reductions in federal mail costs.

To accomplish this goal, GSA needs to obtain the commitment of agency management to support governmentwide improvements in mail systems. This can be accomplished by communicating to agencies the incentives (economic or other benefits) that exist in participating in a governmentwide program to improve mail systems.

We understand that GSA has absorbed major staffing reductions through fiscal year 1988. One GSA official said that in the 1980s, records and mail management were among the most reduced GSA areas.

[1] Managing the Government: Revised Approach Could Improve OMB's Effectiveness (GAO/GGD-89-65, May 1989).

However, when mail management, along with other records management functions, was transferred to IRMS in 1982, the functions, activities, organizations, and resources were also transferred to support those responsibilities. In theory, this should have resulted in at least maintenance of mail management activity as it existed in the early 1980s; in fact, IRMS gradually reduced its support of agency mail programs.

An IRMS official also said that they have difficulty obtaining resources for new initiatives. Considering the current budget environment, we agree that GSA would have difficulty justifying budget and staff increases without substantial evidence of cost effectiveness. For this reason, GSA may best improve support of its governmentwide mail management responsibilities through (1) a plan that would help "sell" program initiatives to oversight and appropriations groups (i.e., a plan that points out the value—particularly in dollar savings—of such programs) and (2) sharing agency expertise and resources where possible.

For example, as a central management agency OMB has used interagency councils to achieve greater interagency involvement and address crosscutting management issues.[2] GSA's role in mail management, as set forth in the FRMA, is consistent with the principle described in the OMB report—that implementation of initiatives to address crosscutting management problems should be led by a central agency but supported by executive branch agencies.

The level of federal information technology spending is one reason for IRMS assigning a high priority to data processing. For example, GSA has said in its strategic plan that federal expenditures for information technology will exceed $16 billion in 1987. However, on that same basis, IRMS is responsible for supporting cost reductions to agency mail systems, for which GSA has claimed a cost of $2.5 billion annually. (We reviewed fiscal year 1988 postage and mail cost data and believe that this figure is closer to $1.7 billion, as described in ch. 1.)

To minimize its resource costs, obtain an understanding of agency needs, and use agency expertise, while simultaneously realizing maximum cost reductions to federal mail systems, the following are elements that GSA should consider when defining its support role for agency mail systems.

[2]Managing the Government: Revised Approach Could Improve OMB's Effectiveness (GAO/GGD-89-65, May 1989).

Expanded GSA Contracting Effort Could Greatly Reduce Agency Mail Costs

While GSA's overnight mail contract has been very effective in obtaining reduced overnight mail costs, the cost of other elements of federal agencies' mail operations could also be greatly reduced by additional GSA contracts.

By presorting first-class mail, agencies can obtain a discount for each qualified piece and higher discounts for other levels of sorting for first-class mail (such as ZIP+4, ZIP+4 barcode, and carrier route presort levels[3]). Since sorting requirements to obtain the discounts may be labor intensive and many agencies are experiencing staffing constraints in their mail operations, agencies may find it advantageous to obtain presort savings through a presort contractor.

Some agencies have already obtained major cost reductions by presorting their mail. For example,

- FMS is responsible for mailing payments for many elements of federal operations. Its fiscal year 1988 postage cost was reduced by $15 million as a result of using in-house automation to presort its mail.
- The Department of Veterans Affairs reduced its fiscal year 1988 postage costs by about $1 million through use of in-house and contractor presort for its first-class mail.
- The Department of Agriculture reduced its postage costs by $405,000 over a 2-year period (fiscal years 1988-89) by presorting its first-class mail from headquarters and its National Finance Center.

If these measures are implemented nationally for all federal agencies, the potential savings to the government would be significant. A USPS official estimated that between 50 and 75 percent of nonpermit mail could obtain a presort discount. On the basis of our analyses of fiscal year 1988 federal postage costs, we believe that between $300 million and $450 million of federal agencies' fiscal year 1988 mail would have qualified for a presort discount. Obtaining the basic presort discount for this mail would reduce postage charges by 16 percent (between $48 million and $73 million), and obtaining other types of discounts (such as ZIP+4 and barcoding) would increase the amount of the discount. The savings from these discounts would be partially offset by the labor and equipment costs of obtaining the discounts. These costs would vary by the agencies' particular approaches to obtaining the discounts, such as using in-house or contractor labor and equipment. Presort contractors,

[3]See glossary for definitions.

for example, typically claim between 25 and 50 percent of presort discounts obtained. Agencies also would then be able to sort mail to use other mail classes (such as bulk third-class) and greatly reduce the cost of mailings selected for such classes. For example, a 3-ounce piece sent first-class would cost 65 cents if no discounts were obtained; however, the same piece, if it obtained a five-digit presort discount, would cost 57 cents. The same piece could be sent third-class bulk at the five-digit ZIP Code rate for 13.2 cents.

GSA could also reduce agency mail costs by expanding the weight range of its current overnight contract. The range of weights for a package subject to the vendor discount in GSA's current overnight contract is limited to packages weighing up to 50 pounds. According to an FSS official, GSA has a verbal agreement that the vendor will reduce its price for packages weighing more than 50 pounds. However, our analysis of the FSS contract shipper charges for fiscal year 1989 indicates that the government realized a price reduction of 39 percent from the vendor's retail price for packages weighing over 100 pounds or more (compared to the 78-percent price reduction for packages in the 1- to 2-pound range). The government received no discount shipping items using the vendor's international mail, through which 37,030 packages were shipped at a cost of about $1.3 million. While there are no data on the potential value of expanding the competitive contract into these categories of mail, we believe that such an action would help reduce the government's mail costs.

GSA could also reduce agency mail costs by obtaining expedited package contracts. Some packages do not need to be delivered overnight but need to be delivered faster than USPS' parcel post delivery time frames. These packages can be shipped by commercial vendors to meet delivery requirements without incurring high-cost overnight mail charges. Although we could not obtain comprehensive figures for agencies' ground package shipment costs, based on information we obtained from private industry and federal mail managers, we found that federal agencies spent over $41 million in fiscal year 1988 on ground package shipment vendors. We believe that combining federal package and international mail volumes under regional or national contracts could establish potential for volume discounts and result in more responsive vendor support. This approach would also eliminate the need for the many federal agencies that could use these services to individually obtain necessary contracts to support their mail systems.

GSA and agency officials said there is a need for these types of contracts and they believe cost reductions could be achieved from GSA-negotiated contracts for use by federal agencies. In February 1990, FSS, working with USPS, began a pilot program that would allow agencies to consolidate their international mail. The consolidated services vendor has indicated that use of this service will reduce agencies' mail costs (which were $1.3 million in 1989) by 25 percent. Also, in April 1990 FSS released a Request for Comments for an express package contract that will be expanded up to 150 pounds.

GSA officials thought such contracts would be cost beneficial and saw no legal reason they could not be implemented. Most agencies' mail management officials indicated such contracts would be beneficial if they were easy to use.

Agency Mail Practices Could Be Improved Through IRM Reviews

Agencies and GSA could identify and take action to resolve problems with agencies' mail systems through the IRM Review Program. GSA emphasis to agencies on the potential value of assessing mail operations through the IRM Review Program, supported by appropriate guidance and expertise for discovering and implementing opportunities for cost reduction, could serve as a catalyst for accomplishing major cost reductions in agency mail operations.

For example, through IRM reviews, agencies could ascertain whether they were making appropriate use of GSA's overnight mail contract carrier. While the retail value of agencies' spending on the GSA contractor for fiscal year 1989 was $82 million, one mail service vendor estimated the cost of overnight mail deliveries provided to federal agencies by noncontract vendors was over $100 million. While it cannot be assumed that the GSA overnight mail vendor would be appropriate for all agencies' shipments, the amount of spending on the non-GSA vendor seems disproportionately high. Mail managers at three major agencies acknowledged that the GSA vendor was not adequately used.

Some agencies also clearly need to improve controls over their mail operations. For example, we reported in July 1989 that the Department of Energy sent 16,714 copies of a 26-pound environmental impact statement regarding its super collider project by priority mail at a cost of approximately $335,000.[4] DOE officials said that they did not consider

[4] Information Dissemination: Cost of Mailing Environmental Impact Statement for Super Collider (GAO/GGD-89-104, July 1989).

other options. In this same report, we estimated that mailing the document using United Parcel Service ground service would have offered a savings of over $200,000 while obtaining roughly comparable delivery times. We also testified in April 1990 that the U.S. Mint could reduce its postage costs by at least $2.4 million by using third class for its mass promotional mailings.[5]

Agency mail managers could also use such a process for identifying needs for their mail operations to top agency management. For example, work load volumes could be analyzed to assess whether the agency mail operation needs additional resources or equipment.

Since GSA serves as a collection and review point for agency IRM reviews, GSA could also use this process as a mechanism for identifying problems common to more than one agency. Such a process could lead to addenda or revisions to governmentwide guidance or development of new areas for contracting support, for example.

Timely and Comprehensive Agency Guidance Is Essential

We found that GSA's new mail management guide (see p.) does not adequately respond to agencies' needs for guidance. Comprehensive guidance supplemented with regular updates, as provided by at least one major vendor, clearly is closer to GSA's goal of "providing the 'how to' to agency personnel" than the current GSA guide.

On the basis of our interviews with agency mail managers and with mail managers at the March 18, 1989, COMP meeting, we found that issues of concern to federal mailers include a need for government policy direction on mail management, guidance on using the Official Mail Accounting System and conversion to direct accountability, and a method for controlling the rising costs of business reply mail. All of these concerns would benefit from centralized guidance from GSA.

The need for timely guidance is also illustrated by the constantly changing requirements and discounts offered by USPS and other vendors. For example, USPS is testing equipment that will read barcodes in the address lines of letters and plans to increase incentives for mailers to barcode their mail during the next round of rate changes, which are expected to be effective in early 1991. Also, a USPS official said that GSA

[5] Savings Opportunity for the United States Mint's Promotional Mailings (GAO/T-GGD-90-34, Apr. 1990).

should provide guidance to federal agencies on appropriate mailing practices to help ensure compliance with the private express statutes.[6]

GSA could also record and disseminate case studies of mail managers' successes with implementing changes to mail operations. These case studies should, at the least, address the typical obstacles to mail system change and provide information on how agency mail managers overcame those obstacles. For example, GSA could provide information on how agencies converted major mailings from first to third class.[7]

In January 1990, IRMS officials gave us a timetable for issuing a mail operations handbook. The revision is scheduled for publication in mid-1991. It is unclear at this point whether the agency concerns described above will be included in the revised guidance.

GSA Mail Leadership Would Benefit From Interagency Committee Support

Through an organization such as COMP, GSA could carry out its leadership role in addressing crosscutting management issues and ensuring that the agencies' perspectives are considered in conducting improvement efforts. COMP could be used to

- address the range of management issues requiring GSA involvement,
- foster communication across the executive branch and with GSA,
- build commitment to mail system changes, and
- tap the talent within the agencies to resolve the government's mail system problems.

In our report on OMB's management, we pointed out that OMB recognized that the establishment of interagency councils helped achieve greater agency involvement in addressing crosscutting management issues. The councils ensured that an agency perspective was applied to governmentwide management reforms and brought attention to the need for improvements. The councils' committees met monthly to foster ongoing communications and to share perspectives on common problems. As a result of these meetings, the councils initiated varied projects to tackle management reform, such as using computer matching to combat entitlement fraud. One council created consolidated administrative service

[6]See glossary for a description of the statutes.

[7]See glossary for definition.

units to achieve economies in operations common among several agencies, and another established governmentwide standards governing how Inspectors General do investigations and evaluations.

Council participants told us that the councils had provided resources, highlighted important issues, helped with legislation, and provided an opportunity for coordination of projects and the cross-fertilization of ideas. These types of results show that the councils were successful in fostering necessary communication across the executive branch, building commitment to change, tapping talent that existed within agencies, keeping management issues in the forefront, and initiating important improvement projects.

Major benefits could be realized if GSA used such an approach. For example, a governmentwide presort project, focused on obtaining presort discounts for agencies' high-volume mail centers across the nation, would be suitable for such a committee activity.

Agencies Need Improved Representation

Most of the mail management officials in the 10 agencies we contacted said they would like representation of agencies' interests before USPS prior to changes in USPS regulations affecting their mailing interests. On the basis of the information we obtained from agency mail managers, we believe that individual agencies do not have the resources to invest in preparing individual positions and a governmentwide position should be more persuasive to USPS and the Postal Rate Commission. Such representation would also be useful for obtaining information about potential changes to mailing requirements and regulations to allow for better preparation for change by agencies. For example, USPS has requested an increase in the discount for prebarcoded[8] letters in the current rate filing, which will increase agencies' incentives for purchasing appropriate in-house or contractor support. USPS is also working on new technology for barcoding mail larger than standard sized envelopes; agencies make heavy use of nonstandard envelopes.

Agencies also need representation before USPS to provide a consolidated federal position when there are USPS changes affecting federal operations, such as USPS' ongoing program to move agencies toward use of USPS' Official Mail Accounting System and changes to the fee system for business reply mail.

[8]See glossary for definition.

GSA's Training Needs Improvement

Several of the 10 major agency mail management officials we interviewed mentioned that videotaped training material directed at specific agency groups (e.g., mailroom personnel, agency employees, and mail managers) would be very effective and would make training accessible at reasonable cost to the large numbers of employees that should be informed about agency mail operations and requirements. Such tapes could be presented on a repeated basis, which would be useful to agencies that experience high turnover rates in mail management and operations. On-site training would also eliminate agency costs associated with current training because the training would be delivered at locations and during hours convenient to agency personnel (eliminating travel and transportation costs). According to a major private vendor, videotapes have been proven to be effective educational tools that can train, inform, and motivate target audiences. A GSA Training Center official said that the Center does not currently offer training in this format.

USPS has produced several videotapes about elements of its programs. USPS has begun selling a set of videotapes to provide instruction about managing a mail center covering topics such as mail center management, improving mail center operations, personnel management, and cost saving approaches. While these videotapes address some agency concerns, USPS is not primarily in the business of mail management from the agency's point of view. Agencies need a wider variety of training to cover all aspects of personnel training and the variety of vendor options available to federal agencies.

Technical Support Would Help Implement Change

In December 1988, GSA published a study on records management technical assistance.[9] This study concluded that

> "the demand for additional records management technical assistance in agencies is relatively small, and that the need can be adequately addressed by existing [GSA] programs and services. There is no unmet demand of sufficient magnitude to warrant the creation of a new program."

We believe that GSA has underestimated the level of demand for technical assistance, at least for agency mail systems. Mail managers at the COMP discussion and 8 of the 10 major agency mail managers we interviewed said that agencies needed on-site technical support.

[9] Records Management Technical Assistance Study, GSA, Information Resources Management Service (Dec. 1988).

However, GSA raised several important points about agency records management programs in its study. For example, some concerns raised in the GSA survey were that (1) agencies lacked funds for records management-related contracts and (2) supervisors provided little support for agency records management programs. But the survey did show that many records managers believed their agencies would become interested in records management issues if some contracts were let for studies or training. Both findings correspond to concerns expressed to us by agency mail managers.

OMB's experience in central agency management, as described in our report on OMB's central agency management role, can provide a model for GSA's role in supporting changes to agencies' mail systems. In response to mail and records managers' concerns about obtaining top management attention and support, GSA could provide the external influence and support useful to agency officials in overcoming circumstances such as opposition from program managers over the appropriate class of mail. GSA personnel could study agency operations, design new mail systems as appropriate (including necessary contract support), participate in discussion of such problems with higher levels of agency management, and provide support for mail managers' positions.

Considering that there is currently no technical assistance provided for agency mail systems, it is significant that the first recommendation of the GSA study is that GSA should

> "... broaden its activities to include the provision of records management technical assistance which is not necessarily related to automated data processing or office automation. [IRMS] already has personnel with the necessary records management expertise and the office has broad experience in administering contracts for studies, analyses, and system designs. These are precisely the areas in which some agencies may require assistance."

The study concluded that "... based upon the results of this study, the additional workload would be very small and could be absorbed by [IRMS] without increased staff."

We believe that (1) GSA can better support agency mail management programs by providing on-site expertise that is responsive to agency records managers' concerns about funding and management support and (2) GSA needs to be able to provide such expertise at no cost to agencies. GSA—not the agencies—should operate a program to adequately fulfill GSA's technical assistance role set forth in the FRMA. It should do so

through in-house staff, contractor support and/or sharing of expertise from other agencies.

In discussion on this point, an IRMS official said that GSA should be reimbursed for technical assistance. He also said that GSA has no incentive for providing such expertise to agencies, and that the agencies—which would realize all savings in improvements to their mail operations—should have responsibility for covering the costs of technical assistance. We also note that GSA's usual practice is to charge for its services: GSA's fiscal year 1988 program funding used only 3.6 percent of appropriated funds, while 96.4 percent of its funds were received from customer agencies for goods and services.

However, we reported in 1980 that the National Archives and Records Service did not charge for records management technical assistance from the time it was assigned such a role in 1950 until 1964, when the number of requests for technical assistance services outgrew its staff capacity.[10] In the same report, we said that supporting technical assistance through direct appropriations would eliminate many problems with GSA's records management program and allow the National Archives and Records Service the flexibility to better direct its technical assistance program. We believe, moreover, that the personnel or contracting costs associated with free technical assistance to agencies are small compared with the potential returns associated with improvements to agencies' mail systems. One federal mail management expert pointed out that without no-cost support to agencies, GSA would provide support only to agencies that would pay for GSA services. The expert said that if GSA would do so, agencies with contract funding could obtain support to help resolve minor concerns while agencies with major problems in their mail systems but lacking funds for contracts would not receive support.

Conclusions

GSA leadership is important for grappling with mail system costs and problems within and across the agencies. In the face of staffing constraints that are likely to continue, GSA needs to carefully plan a strategy that will use agencies' expertise and resources to support its efforts to reduce federal mail costs. We believe that an effective leadership role for GSA includes a number of important actions for controlling rising federal mail costs. These actions are (1) obtaining competitive contracts for

[10] Program to Improve Federal Records Management Practices Should Be funded by Direct Appropriations (LCD-80-68, June 20, 1980).

mail services, (2) providing timely information and guidance to agencies (through committees and governmentwide publications), (3) providing the training and technical support needed for improving agency mail operations, and (4) using the IRM review program to ensure that agencies' mail operations are cost effective.

Agencies should also recognize that they need to support GSA efforts by actively participating in identifying governmentwide federal mail system issues and working toward solving these concerns.

Recommendations to the GSA Administrator

We recommend that the GSA Administrator, working in close cooperation with federal agencies, develop a plan clearly laying out a strategy—including an appropriate resource level—for meeting GSA's statutory mail management responsibilities. At a minimum, the strategy should ensure that GSA

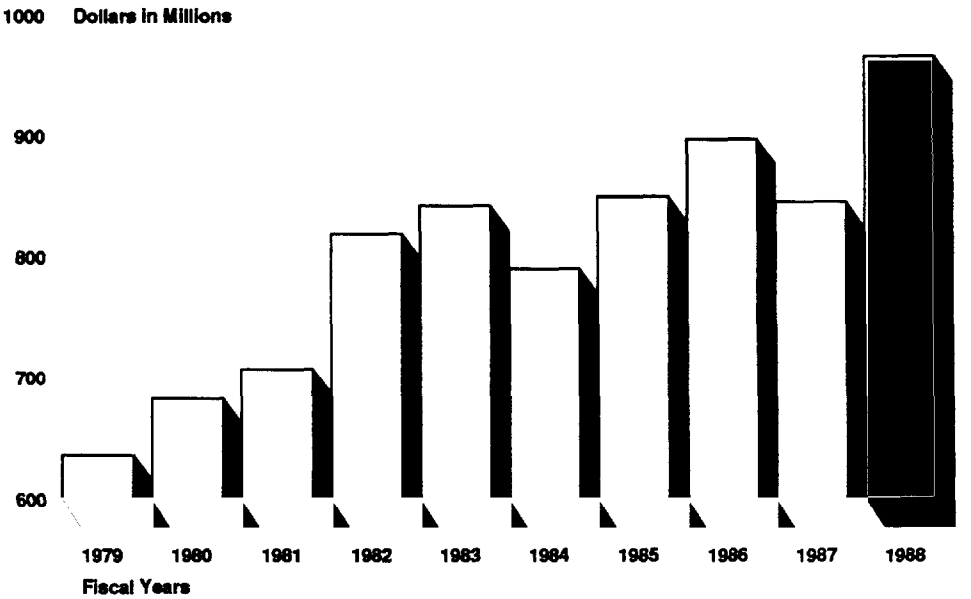
- obtains and expands competitive contracts related to agency mail operations, such as presort and overnight delivery;
- expands its Information Resources Management Review Program to include reducing agency mail costs and monitoring agency improvement efforts;
- develops timely and comprehensive written guidance that focuses on opportunities for agencies to reduce their mail costs;
- makes on-site technical assistance in mail management available to agencies, using GSA's and other agencies' expertise as appropriate;
- develops training materials and a delivery system that better meet agencies' needs; and
- solicits and represents agencies' common mail concerns and disseminates important information to the federal agencies.

Agency Comments and Our Evaluation

In a June 19, 1990, letter the Administrator of GSA provided written comments on a draft of this report and agreed with our findings. (See app. III.) Specifically, the Administrator said that GSA "must once again assume a leadership role in the mail management area." He also said that he asked the Commissioner of GSA's IRMS to develop a strategy for meeting GSA's responsibilities for the mail management program and to coordinate this activity with the Federal IRM Regulation Interagency Advisory Council.

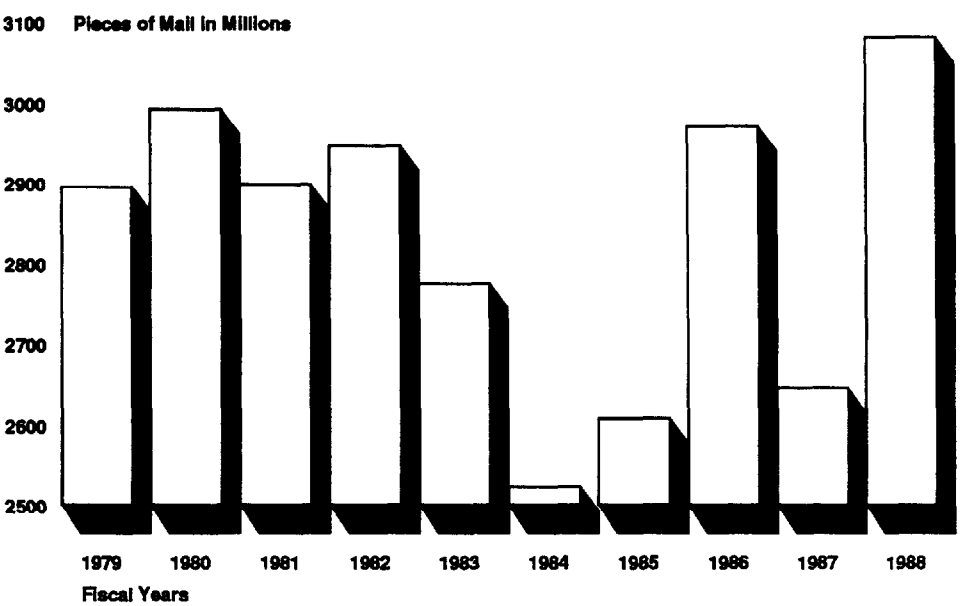
Mail Volume and Costs Have Generally Increased

Figure I.1: Mail Costs, Fiscal Years 1979-1988



Source: USPS Annual Reports

Figure I.2: Mail Volumes, Fiscal Years 1979-1988



Source: USPS Annual Reports.

First-Class Mail Rate History—1979 to 1988

Effective date	First ounce (cents)	Percentage over prior rate
July 15, 1979	15	
March 22, 1981	18	20.00
November 1, 1981	20	11.11
February 17, 1985	22	10.00
April 2, 1988	25	13.64
Present rate in comparison with July 1979 rate		66.67

Comments From the General Services Administration

Administrator
General Services Administration
Washington, DC 20405

June 19, 1990

The Honorable Charles A. Bowsher
Comptroller General of the
United States
General Accounting Office
Washington, DC 20548

Dear Mr. Bowsher:

Thank you for the opportunity to comment on the draft General Accounting Office (GAO) report No. GAO/GGD-90-, "Mail Management: GSA Needs to Improve Support of Agency Programs."

As the draft report indicates, the General Services Administration's (GSA) Information Resources Management Service (IRMS) has responsibility for Governmentwide leadership in mail management. Over the years IRMS has emphasized its automated data processing (ADP) and telecommunications functions, expending the bulk of its resources on these critical program areas. Quite frankly, the mail management program has not received additional attention because it has been overshadowed by ADP and telecommunications issues.

The findings in your draft report, however, make it clear that GSA must once again assume a leadership role in the mail management area. For this reason I have asked the Commissioner, Information Resources Management Service, to develop a strategy for meeting our responsibilities for the mail management program and to coordinate this activity with the Federal IRM Regulation (FIRMR) Interagency Advisory Council.

I appreciate the time and effort expended by GAO officials in developing the draft audit, and I look forward to continuing our joint efforts to improve GSA operations.

Sincerely,

Richard G. Austin
Administrator

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Glossary

Account Representative	A USPS employee who establishes and maintains communications with customers to improve service, sell postal products, implement programs, and present customer viewpoints to postal management.
Barcode	A series of vertical bars and half bars representing the ZIP Code. The barcode facilitates automated processing by optical character reader equipment.
Barcode Sorter	A computer-controlled, high-speed machine that sorts letters on the basis of an imprinted barcode. It consists of a mail feed and transport unit, stacker module, and associated electronic equipment.
Board of Governors	The nine-member group that directs the exercise of powers by USPS. The Board directs and controls the expenditures and reviews the practices and policies of USPS.
Business Reply Mail	Specially printed cards, envelopes, cartons, and labels that may be mailed without prepayment of postage. The postage and fees are collected when the mail is delivered to the addressee. BRM may not be sent to or from other countries.
Classes of Mail	First-class, second-class, third-class, fourth-class, and express mail are the five USPS classes of mail.
Direct Accountability	Any procedure in which verifiable actual mail volumes and/or postage costs are recorded before or at the time of mailing.
Domestic Mail Manual	A manual issued by USPS on a quarterly basis containing comprehensive information on mail preparation and treatment within the United States and its territories.
Electronic Funds Transfer System	The direct transfer or exchange of funds between computers. A method of exchanging money electronically without using paper.

Express Mail	An expedited, time-sensitive, guaranteed delivery class of mail providing overnight service for materials or letters weighing up to 70 pounds. There is a full postage refund for any shipment not delivered as prescribed. Express Mail is a USPS trademark.
Express Small Package Shipment Contract	GSA's FSS is currently administering a governmentwide contract that provides next day delivery of small packages and letters at a discount.
First-Class Mail	Letters, postcards, all matter wholly or partially in writing, and all matter sealed or otherwise closed against inspection.
Fourth-Class Mail	Generally, parcels weighing 1 pound or more.
Franked Mail	Official mail of Members of Congress and other elected officials and members of the Supreme Court. This type of mail is authorized without the prepayment of postage. Its counterpart for agency mailings is penalty mail.
Ground Package Shipments	An economical method of shipping packages the next day or the second day without delivery guarantees.
Indicium	A marking placed on an envelope or package to indicate the payment of postage.
Mail	Letters, telecommunications, memoranda, postcards, documents, packages, publications, and other communications received for distribution or dispatch.
Mail Management	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 work flow are applied, and modern equipment is used. Operations are kept simple to increase efficiency.

Mailers Technical Advisory Committee (MTAC)	A group that provides technical information, advice, and recommendations about postal services, programs, regulations, and requirements. The members represent associations of large commercial mailing organizations and related mailing services.
Mailroom	A central area for agency mail functions. This area is the focal point for the receipt or dispatch of mail and for further internal distribution or entry into the USPS mail system.
Metered Mail	Mail for which postage has been paid through the use of a postage meter. The privileges and conditions of stamped mail apply to metered mail.
Official Mail	Mail authorized by law to be transmitted domestically without prepayment of postage (e.g., franked and penalty mail).
Official Mail Accounting System (OMAS)	An automated system that provides for the data entry of official mail forms by the management sectional centers. USPS bills agencies based on data from OMAS, and post offices get credit for the revenue. Agencies use data from OMAS to control their postage costs.
Optical Character Reader	An automatic mail sorting system that locates the address written on the face of an envelope and reads the city, state, and ZIP Code, prints a barcode, and sorts the mail. It consists of a mail feed and transport unit, stacker modules, and a computer with system control, video monitor, and printer.
Overnight Mail	The private mailing industry service equivalent to the USPS service called Express Mail. (See Express Mail.)
Parcel Post	A certain type of domestic fourth-class mail for which rates are determined by weight and distance (zone rated). It also pertains to a type of international mail service for parcels.

Penalty Mail	Official agency mail authorized by law to be transmitted without the prepayment of postage by departments and agencies of the government and by specifically authorized individuals.
Permit Mail	Mail sent with a printed indicium instead of a stamp. The indicium indicates that postage has been paid.
Postage Meter	An electronic device for imprinting postage directly on envelopes or on a gummed tape for application to letters and packages.
Postal Rate Commission (PRC)	An independent federal agency that makes recommendations concerning USPS requests for changes in postal rates and mail classifications. The five Commissioners are nominated by the President and approved by the Senate.
Postal Reorganization Act	The act requiring postal rates and fees to "... provide sufficient revenues so that the total estimated income and appropriations... will equal as nearly as practicable total estimated costs." (Public Law 91-375, signed August 12,1970.)
Prebarcode	Barcoding done by the mailer. (See barcode.)
Presort	A form of mail preparation that reduces USPS labor costs and qualifies mail for postage discounts. The mailer groups pieces in a mailing by ZIP Code or other USPS-recommended separation in order to bypass certain postal operations. Presort is a USPS trademark.
Private Express Statutes	The laws giving USPS exclusive right to carry letters over post routes.
Rate Setting	The process by which rates are changed, which is a joint responsibility of USPS and the Postal Rate Commission. USPS managers recommend proposed rates for all mail classes to the Board of Governors. With the approval of the Board of Governors, the proposed rates are sent to PRC, which holds public hearings and issues a decision specifying the rates. If

	the governors find those rates unsatisfactory, they may modify them by unanimous vote.
Records Management	The planning, controlling, directing, organizing, training, promoting, and other managerial activities involved in records creation, records maintenance and use, and records disposition. Mail processing by federal agencies is included under the term "records maintenance and use."
Sampling	A statistical method that determines the reimbursement owed to USPS for agency mailings.
Second-Class Mail	Newspapers, magazines, and other publications issued at regular intervals.
Third-Class Mail	Usually printed matter, such as circulars and pamphlets, and parcels weighing less than 1 pound.
ZIP (Zoning Improvement Plan) Code	Established in 1963, 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.
ZIP+4	The nine-digit code, established in 1981, composed of (1) the initial code—the first five digits identifying the post office or metropolitan area delivery station associated with the address; (2) a hyphen; and (3) the expanded code, including the additional four digits. The first two additional digits designate the sector (a geographic portion of a zone, a portion of a rural route, several city blocks or a large building, part of a box section, or an official designation). The last two digits designate the segment, a specific block face, apartment house bank of boxes, a firm, a floor in a large building, or other specific location. ZIP + 4 is a USPS trademark.