

CHANGE OF RETURNED MAIL PROCESS

David L Demary

South Carolina Department of Revenue

February 5, 2010

S. C. STATE LIBRARY

MAY 19 2010

STATE DOCUMENTS

PROBLEM STATEMENT

This project was chosen based on the large volume of mail that is returned to the agency from what was sent out to the taxpayer. For many years one of the many issues the agency has faced is, "what do we do with mail that is undeliverable?" It is an issue because either the taxpayer has not given the agency a valid address or notified the agency that there has been an address change. Therefore the taxpayer cannot be notified of any delinquencies to the State of South Carolina which in turn causes the agency to spend additional dollars to track down the taxpayer. Also, the taxpayer is not notified of any law changes that have been enacted and does not receive tax return forms that are sent out by the agency.

One of the strategic objectives that our agency strives toward is 100% voluntary compliance by the taxpayers of the state of South Carolina. If the taxpayer is not receiving the appropriate information in a timely manner we cannot reach that goal. There are several variables that cause the Department of Revenue to have inappropriate addresses to notify taxpayers by mail. The reasons are as follows: 1) the taxpayer moves and does not leave a forwarding address; 2) the taxpayer gives us the wrong address at the time of registration; or 3) the taxpayer dies.

Another issue that affects the agency in a negative way is the way returned mail is handled. Currently the process for handling returned mail is outlined below:

- Mail is run through the Opex Sorter and returned mail is sorted in the reject bin

- The mail is run through the slicer to open the top of the envelope
- The mailroom employee reviews the mailing label or the contents in the envelope and sorts the mail to be sent to the appropriate area.
- The mailroom employee sets the slicer to zero, resets the counter and runs each sort to obtain the number of returned pieces.
- The returned mail is sent to the appropriate sections. (See Appendix A-1)

Once the returned mail is received in the Registration Unit, temporary employees are given the task of working the returned mail in the section. The process for working returned mail in the Registration Unit is as follows:

- The returned mail is delivered to the Unit from the mailroom,
- The temporary employee in the section will take each letter and do one of the following:
 - If there is a label on the letter with a forwarding address the employee will enter the new address in the system, address a new envelope and re-mail the correspondence to the taxpayer.
 - If the letter does not have a forwarding address, the employee will then search the system for a better address.
 - If a better address is found the employee addresses an envelope with the new address and mails it to the taxpayer.

- If they cannot find a better address on the system, the employee then clicks the RPO box on the South Carolina Integrated Tax System (SCITS) system and puts a note there stating that this is a bad address. This will inform users in the future that the address in the system is not a good address and that no correspondence should be sent to that address for that particular taxpayer. Once this is done the correspondence is put in a box to be shredded. (See Appendix A-2)

DATA COLLECTION

By collecting data for this project I wanted to determine ways that this process could be streamlined so that the agency can save money on the amount of postage used each fiscal year. In order to collect the data for this project I used the interview method to receive my data. I contacted Sherrie McTeer, the Administrator of the Revenue Processing Unit, to collect data concentrating on the processing of all the mail in the agency. She gave me insight into the system used to process all the mail in the agency, both regular and returned mail. She provided a wealth of knowledge that allowed me to look at the mail processing function in a different manner.

I contacted John Taylor, Chief Financial Officer for DOR, and obtained the information concerning the amount of money the agency budgets for postage. I was not only able to obtain the amount that is budgeted (See Appendix A-7) but the amount that was actually spent on postage. From this information I was able to see what the agency as a whole spends on all classes of mail that is sent out initially as well as what we are spending to resend it. The amount the agency is

spending to resend these pieces is very important because of the lean budget times that are ahead of us. By obtaining the correct address information initially we could save money for the agency.

There was also information collected from the Registration Unit. The information collected is as follows: 1) the number of pieces of returned mail that was re-mailed the last two fiscal years and 2) the cost of performing these duties. The information was collected from individuals who actually performed these job functions.

This method for collecting data was selected because they provided the most accurate information that was available and it also gave insight into the potential stakeholders involved in the process. Collecting data by this means also gives us a picture of the whole process. It allows us to take into account not only the portion that affects the Registration Unit but how it affects the agency as a whole. During the process of collecting data I found that returned mail is not only handled by the Registration Unit but by other departments in the agency. The mailroom sorts and distributes the returned mail to each of those units on a daily basis. The majority of the mail that is received in the Registration Unit comes from pre-sort mail. Pre-sort mail is mail that is prepared at the Department of Revenue but is sent to a mailing house for sorting and mailing.

DATA ANALYSIS

The data accumulated for this project shows us the information concerning the mail for the Department of Revenue and they are:

- the total budget for mail for the last two fiscal years,
- the cost of all items mailed from the Department with an emphasis on pre-sort mail,
- the cost of working the mail in the mail room,
- the cost of working the mail in the Registration Unit.

I am taking a closer look at pre-sort mail as it is the largest volume of mail that is sent out by the Department. Therefore it poses the chance for the largest amount of returned mail for the agency.

For fiscal year 2008 the agency spent \$1,578,266 on total postage. In fiscal year 2009 the agency spent \$1,434,392 on total postage and for fiscal year 2010 the budgeted amount is \$1,350,000.

The table below shows the amount of postage spent and pieces mailed for pre-sort mail for the last two fiscal years plus the budgeted amount for fiscal year 2010.

FISCAL YEAR	PRE-SORT POSTAGE	PIECES
2008	\$638,084.40	1,700,906 (see Appendix A-4)
2009	\$535,411.59	1,354,254 (see Appendix A-5)
2010	\$235,916.67	569,661 (see Appendix A-6)

The table below shows the pieces of mail that has been returned for the last two fiscal years plus what has been returned through December 2010.

FISCAL YEAR	PIECES RETURNED
2008	202,000
2009	111,000
2010	46,208

(See Appendix A-8)

During the time period of April 2008 through November 2009, the agency received 171,950 pieces of returned mail at a postage cost to the agency of \$70,499.50.

As stated previously mail that is returned to the Registration Unit is worked by temporary employees. These employees are paid approximately \$14,500 a year to go through each tray of mail one envelope at a time and try to find a better address to mail the letter. If they find a better address these employees will address new envelopes, stuff them and re-send the correspondence back to the taxpayer.

In the fiscal year of 2008 the Registration Unit re-mailed 18,023 pieces at a postage cost of \$7,390.00 and for fiscal year 2009 the Unit sent out 10,598 pieces at a postage cost of \$4,346.00. The additional cost incurred by the agency could be prevented if we came up with a means of handling pre-sort mail. The \$11,736.00 postage cost plus the salary of approximately \$14,500.00 per temporary that the agency incurred could be redirected to a mandated function within the agency.

IMPLEMENTATION PLAN

The process of handling returned mail as we know it today is very antiquated and unproductive. The temporary employees we have today can be used more effectively in the registration process rather than working returned pre-sort mail. With the implementation of the new SCITS system I believe that we can develop an easier, more efficient way to handle returned mail.

One of my recommendations is to work in conjunction with Opex Corporation to develop a program to read the bar code that is printed on the envelope and convert it in to a file so that it can be entered into SCITS. Today SCITS prints the bar code on all correspondence that is generated by the system. When the mail is returned to the agency, I suggest processing the mail with an address label run through the Opex machine and feed the information to SCITS so that it can update the address. If the mail is returned and there is not a label attached to show a better address, allow SCITS to use the address hierarchy function to send the correspondence to the next address. The hierarchy of addresses is obtained in order of Withholding, Corporate and Sales. If the barcode indicates that we have a bad address, SCITS should automatically activate the RPO box so that the system will not continue to send correspondence to the wrong address. I would also like to see this same feature implemented for all Sales and Withholding books the agency mails. By doing this we use the next available address even when the taxpayer does not provide the new address to the agency. To see how much this would cost the agency, we will need to consult with Opex and explain our requirements to them in order to see if the process is feasible. The cost of implementing this particular function may not be

within the scope of the budget but this is a recommendation that the agency can plan for in the future.

An option that we can implement quickly is the use of the Fast Forward process that is being used by our mail vendor G & H Mail. When G & H processes the pre-sort mail, if they find a bad mailing address they have the ability to enter the Fast Forward system developed by the United States Postal Service (USPS) that allows them to find the new address for the taxpayer. Once G & H finds the new address it is placed on the piece of correspondence and it is sent to the taxpayer. As of today the agency does not have a means to retrieve the updated address. The agency is left with the process of using the old address for the taxpayer. If the agency could partner with G & H, we could obtain the new address information in the form of a flat file that could be electronically entered into SCITS. If SCITS is unable to automatically accept the data, the Registration Unit could manually enter the information in the system. This will allow the agency to have more up-to-date information than it has today and have the most updated address in the system. Before pursuing this avenue we will check with upper management and our legal team to see if this approach is feasible.

EVALUATION METHOD

To check the effectiveness of the changes made to the way we handle returned mail, we will do the following:

(1) Continue to keep a spread sheet and monitor the number of fly backs that are returned to the agency. This count will take place in the mail area and also in the Registration Unit. The

Registration Unit will also be responsible for monitoring the pieces of returned mail that are re-mailed by that unit.

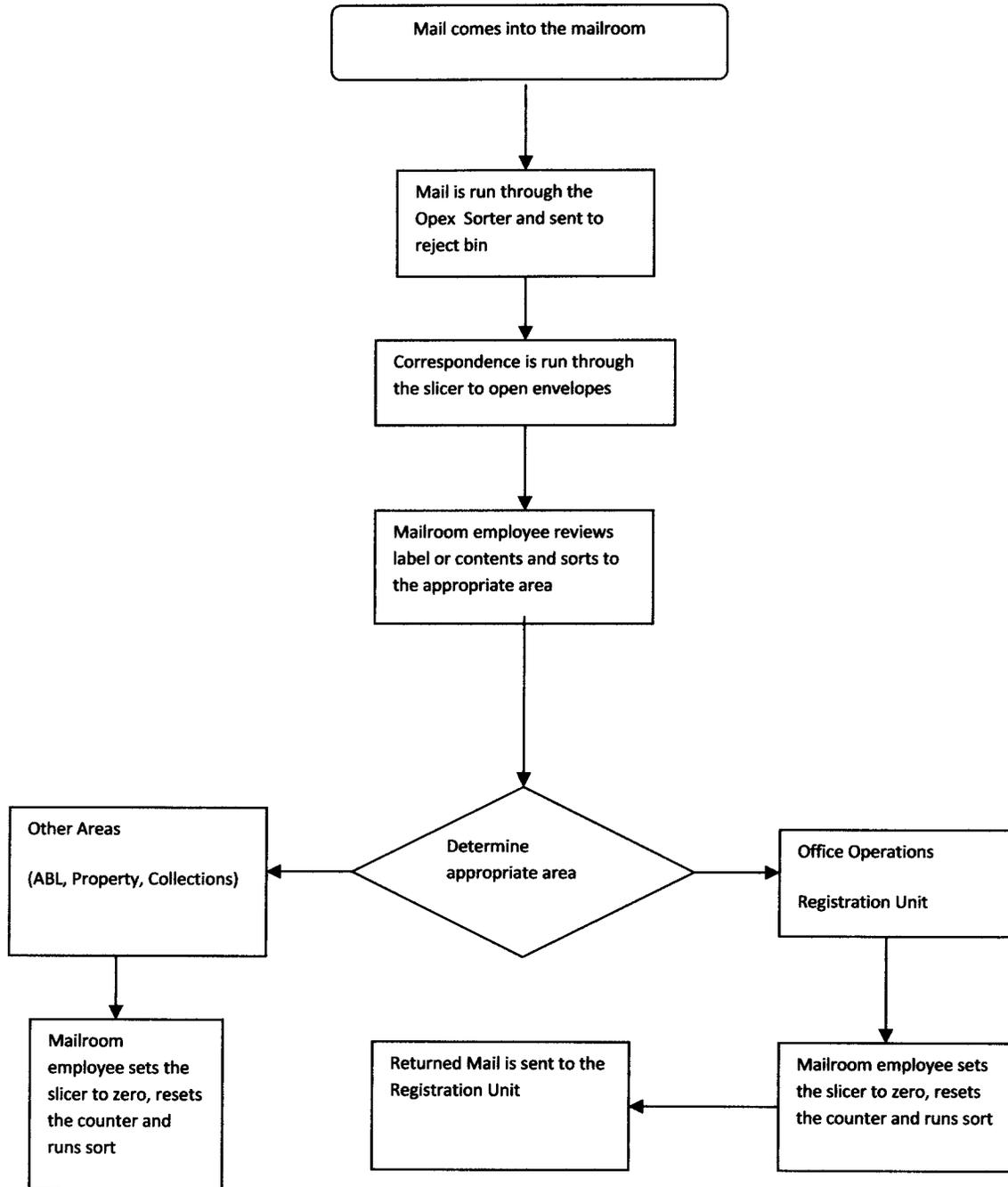
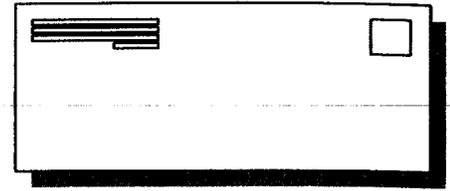
(2) Create a flat file that will allow the agency to obtain and enter the new address in SCITS that is found by the outside vendor. We will monitor this process to make sure that the address is formatted so that SCITS can enter it properly or ensure that the format of the new address is legible so the Registration Unit employee can enter it manually if SCITS is unable to perform this function.

(3) Ensure that we have the proper data so that we can do a three to four year comparison on the budgeted amount versus actual expenditures. We will also look at the cost of hiring people to just work the fly back mail that is being returned to the agency as the budget allows.

SUMMARY

The method that we are using to handle fly back mail is outdated and is not conducive to the business structure of the agency today. With the technology that is available and the continued business needs of a growing state, I truly believe that we can implement the processes that are outlined above. The Department of Revenue has always been an agency that has taken pride with being on the cutting edge with new technological advances. With additional support from upper management and the IRM team I believe that we can come together with above mentioned vendors and implement a plan that will allow this agency to once again come forth with a break through for returned mail.

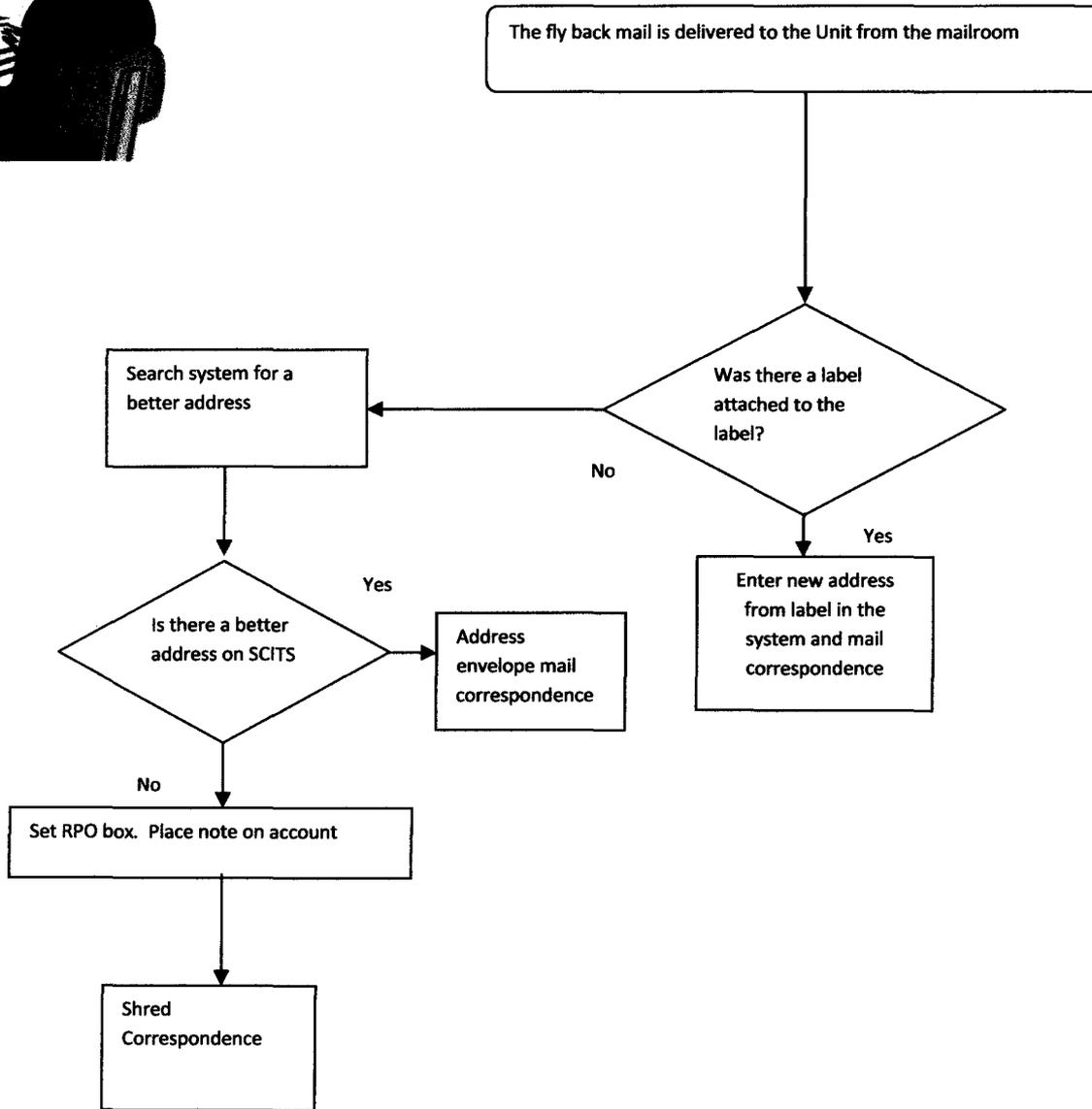
Mailroom



A-1



Registration Unit



A-2

AGENCY ANCRONYMS

RPO..... Returned by Post Office

SCITS..... South Carolina Integrated Tax System

The Agency.....S C Department of Revenue

Postal Budget for Pre-sort Mailings for Fiscal Year 2007-2008

Pre-Sort Mailings				
2007 - 2008				
Use Bill's inserter report:				
Date		Number	Postage	(From G&H)
July		130,357	\$ 48,492.800	
August		116,448	\$ 43,318.660	
September		94,345	\$ 35,096.340	
October		111,900	\$ 41,626.800	
November		107,811	\$ 40,105.690	
December		89,580	\$ 33,323.760	
January		146,193	\$ 54,383.800	
February		242,461	\$ 90,195.490	
March		126,514	\$ 47,063.210	
April		132,263	\$ 49,201.840	
May		107,625	\$ 42,404.250	
June		90,182	\$ 35,531.710	
TOTALS		1,495,679	\$ 560,744.350	
Pre-Sort - Mail Center Meters				
From Mail Room (Mail Receipts) \$0.414				
Date	Meter #	Number	Postage	Total
July	4375108	11,448		\$ 4,319.13
August	4375108	15,660		\$ 5,912.19
September	4375108 2097090	15,628		\$ 5,994.53
October	4375108	17,257		\$ 6,535.84
November	4375108	11,401		\$ 3,736.08
December	4375108	6,775		\$ 2,566.37
January	4375108	16,740		\$ 6,311.78
February	4375108	37,446		\$ 14,136.29
March	4375108	14,888		\$ 5,579.83
April	4375108	15,065		\$ 5,654.98
May	4375108	29,148		\$ 11,148.87
June	4375108	13,771		\$ 5,444.17
TOTALS		205,227	-	\$ 77,340.06
GRAND TOTAL		1,700,906		\$ 638,084.41

POSTAL BUDGET FOR PRE-SORT MAILINGS FOR FISCAL YEAR 2008-2009

Pre-Sort Mailings		\$0.399 (May 11th = \$0.414)		
		**Use inserter report:		
Date	1st Number	Postage		(From G&H)
July	121,026	\$	47,684.24	
August	100,247	\$	39,096.33	
September	81,913	\$	31,946.07	
October	100,782	\$	39,708.10	
November	83,457	\$	32,882.05	
December	60,223	\$	23,727.86	
January	66,051	\$	26,024.09	
February	141,222	\$	55,641.46	
March	104,118	\$	41,022.49	
April	108,992	\$	43,487.80	
May	Rate = .394 25,621	\$	10,094.67	
May	Rate = .414 56,860	\$	23,540.04	
June	76,349	\$	31,608.48	
TOTALS	1,126,861	\$	446,463.68	

Pre-Sort - Mail Center Meters		Was .394 (Jan - 59 x 2.395)			
		From Mail Room (Mail Receipts) (May 11 = .414)			
Date	Meter #	1st Number	2nd Number	Postage	Total
July	4375108	12,801		\$ 5,043.59	\$ 5,043.59
August	4375108	13,240		\$ 5,216.56	\$ 5,216.56
September	4375108	10,400		\$ 4,097.60	\$ 4,097.60
October	4375108	18,242		\$ 7,187.34	\$ 7,187.34
November	4375108	16,904		\$ 6,660.17	
	4358483		265	\$ 119.43	\$ 6,779.60
December	4375108	15,154		\$ 5,970.67	
	4358483		265	\$ 119.43	\$ 6,090.10
January	4375108	21,463		\$ 8,456.42	
	2097090		59	\$ 141.36	\$ 8,597.78
February	4375108	20,936		\$ 8,248.78	
	2097090		59	\$ 141.36	\$ 8,390.14
March	4375108	27,450		\$ 10,815.30	
	2097090		59	\$ 141.36	\$ 10,956.66
April	4375108	23,916		\$ 9,422.90	
	2097090		59	\$ 141.36	\$ 9,564.26
May .394	4375108	6,204		\$ 2,444.38	
May .414	4375108	14,197		\$ 5,877.56	
	2097090		2,825	\$ 196.68	\$ 8,518.62
June	4375108	20,070		\$ 8,308.98	
	2097090		2,825	\$ 196.68	\$ 8,505.66
TOTALS		220,977	6,416	\$ 88,947.91	\$ 88,947.91
GRAND TOTAL		1,354,254		\$ 535,411.59	

POSTAL BUDGET FOR PRE-SORT MAILINGS FOR FISCAL YEAR 2009-2010

Pre-Sort Mailings				(\$0.414)
2009 - 2010		***Use Bill's inserter report***:		
Date		Number	Postage	(From G&H)
			\$0.414	
July		74,007	\$ 30,638.898	
August		89,241	\$ 36,945.774	
September		72,350	\$ 29,952.900	
October		79,426	\$ 32,882.364	
November		64,628	\$ 26,755.992	
December		68,278	\$ 28,267.092	
January				
February				
March				
April				
May				
June				
TOTALS		447,930	\$ 185,443.020	
Pre-Sort - Mail Center Meters				
		From Mail Room (Mail Receipts)		\$0.414
Date	Meter #	Number	Postage	Total
July	4375108	23,796	0.414	\$ 9,863.25
August	4375108	21,142		\$ 8,752.79
September	4375108	20,794	0.414	\$ 8,608.72
	2097090	406	0.565	\$ 229.40
October	4375108	23,193	0.414	\$ 9,601.90
November	4375108	17,363	0.414	\$ 7,188.28
December	4375108	15,037	0.414	\$ 6,229.32
January	4375108			
February	4375108			
March	4375108			
April	4375108			
May	4375108			
June	4375108			
TOTALS		121,731	2.635	\$ 50,473.65
GRAND TOTAL		569,661.00		\$ 235,916.67

Postage Budget For the last 3 Fiscal Years

Fiscal Year	Budgeted Amount
2008	\$1,578,266
2009	\$1,434,392
2010	\$1,350,00

Information for this table obtained from CFO via e-mail.

Pieces of Returned Mail for Fiscal Year 2008-2010

Fiscal Year	Pieces Returned
2008	202,000
2009	111,000
2010	46208

Data in this e-mail received from Mail Processing via e-mail.