



## Testimony

Before the Subcommittee on Oversight  
and Investigations, Committee on  
Veterans' Affairs, House of  
Representatives

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# VETERANS AFFAIRS

## Management and Oversight of Mail Operations Could Be Improved

Statement of Lori Rectanus, Director, Physical  
Infrastructure

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Chairman Bergman, Ranking Member Kuster, and Members of the Subcommittee:

I am pleased to be here today to discuss our recent report on the Department of Veterans Affairs' (VA) mail management program. VA sends more than 200 million pieces of mail per year to veterans and their dependents who rely on this mail for medications and critical information about medical appointments, disability compensation, pension benefits, and more. VA's reported mail costs—approximately \$355 million in 2016—are among the highest in the federal government. Moreover, VA's reported costs have nearly doubled since 2009. In prior work, GAO has raised concerns about how VA identifies its resource needs and ensures that resources are efficiently used across the agency.<sup>1</sup>

My testimony today summarizes key findings from our July 2017 report on VA's mail management.<sup>2</sup> Our objective was to examine the extent to which VA manages its outgoing mail effectively. In that work, we reported that VA cannot provide assurance that facilities are managing their mail effectively because VA lacks key elements of an effective mail management program—namely reliable mail cost and volume data, agency-wide performance measures, and agency officials with appropriate authority to manage the program. We made three recommendations for VA to manage its mail program more effectively. VA agreed with our recommendations but has not yet provided any information on what steps it will take to implement them.

To perform this work, we identified federal mail management requirements in the *Federal Management Regulation*, which governs mailing activities in federal agencies,<sup>3</sup> and applicable federal internal control standards.<sup>4</sup> We interviewed management officials from VA Central Office, the Veterans Benefits Administration (VBA), the Veterans Health Administration (VHA), and the Consolidated Mail Outpatient Pharmacy

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<sup>1</sup>GAO, *High-Risk Series: An Update*, [GAO-15-290](#) (Washington, D.C.: Feb. 11, 2015); and GAO, *High-Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others*, [GAO-17-317](#) (Washington, D.C.: Feb. 15, 2017).

<sup>2</sup>GAO, *Veterans Affairs: Actions Needed to More Effectively Manage Outgoing Mail*, [GAO-17-581](#) (Washington, D.C.: August 31, 2017).

<sup>3</sup>41 C.F.R. pt. 102-192.

<sup>4</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

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(CMOP) program on mail management practices across the agency.<sup>5</sup> We also interviewed officials from the U.S. Postal Service (USPS) and VA's two primary mailing equipment providers. We reviewed the reliability of the mail expenditure and volume data VA reported to the General Services Administration's (GSA) Simplified Mail Accountability Reporting Tool (SMART) in fiscal years 2015 and 2016.<sup>6</sup> In an effort to assess the validity of VA's reported mail volume and costs, we reviewed VA's reported fiscal year 2015 and 2016 expenditure and volume data with its service providers, USPS, United Parcel Service (UPS), and FedEx.<sup>7</sup> We collected information on the mail practices in place at the 10 VA facilities with the highest mail volume reported in SMART in fiscal year 2015.<sup>8</sup> Findings from these facilities provide examples of VA's mailing practices but are not generalizable to all VA facilities. Our July 2017 report includes further details on the scope and methodology of our work, which was conducted in accordance with generally accepted government auditing standards.

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## Background

In carrying out its mail program, each VA administration—VHA, VBA, and the National Cemetery Administration—and local facility has discretion regarding how to handle outgoing mail. For example, facilities can choose which service provider they use to send the mail, such as USPS, FedEx, or UPS. In addition to choosing service providers, VA facilities may enter into contracts to purchase or lease mailing equipment such as postage meters. See figure 1 for a description of the services each administration and their associated facilities provide, and examples of outgoing mail.

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<sup>5</sup>We did not interview officials from the National Cemetery Administration based on the administration's low mail volume relative to VHA and VBA.

<sup>6</sup>SMART data are reported annually for the entire fiscal year, and therefore fiscal year 2016 data are the most current available.

<sup>7</sup>USPS noted that its revenue and volume data were not comparable to VA's SMART data for validation purposes.

<sup>8</sup>Although we found VA's SMART data to be generally unreliable, we used the data to select VA facilities because VA has no other centralized data that include mail expenditures and volume. The reliability of the mail expenditure and volume data is not material to our findings for the 10 facilities.

**Figure 1: Department of Veterans Affairs' Administrations, Facilities, and Examples of Mail to Veterans**

	Veterans Health Administration	Veterans Benefit Administration	National Cemetery Administration
 <b>Description of services</b>	Medical services for veterans, including inpatient and outpatient services, home healthcare, prescribing medications, and extended care services, including nursing home and respite care.	Benefits to veterans and their families, including compensation, pension, fiduciary services, educational opportunities, vocational rehabilitation, employment services, home ownership promotion, and life insurance benefits.	Burial and memorial benefits—including burial at national cemeteries, cemetery grants, headstones and markers, and medallions—to veterans and their eligible family members, and maintenance of hundreds of national cemeteries across the country.
 <b>Facilities</b>	Medical Centers: 170 Consolidated Mail Outpatient Pharmacies: 7 Clinics: 1,055 Vet Centers: 300 Residential and Extended Care Sites: 11	District Offices: 5 Regional Offices: 56	National Cemeteries: 135 National Veterans' Burial Ground: 1 Soldiers' Lots and Monument Sites: 33
 <b>Examples of outgoing mail</b>	Prescription medications and correspondence related to medical appointments.	Correspondence related to benefits such as disability compensation.	Correspondence related to headstone, marker, or medallion requests.

Source: GAO analysis of Department of Veterans Affairs information. | GAO-17-581

VA, like other federal agencies, is required to follow certain provisions regulating mail management in the *FMR* to ensure they have the policies, procedures, and data to manage their mail operations efficiently and effectively.<sup>9</sup> Specifically, large federal agencies like VA must provide annual mail management reports to GSA using the web-based SMART application,<sup>10</sup> which include data on expenditures paid to mail service providers, mail volume, and volume and expenditures for mail that was undeliverable as addressed.<sup>11</sup> Additionally, all federal agencies must have performance measures for mail operations at the agency level and in all mail facilities and program levels,<sup>12</sup> and an agency mail manager who

<sup>9</sup>41 C.F.R. pt. 102-192. The *FMR* also includes requirements for agency mail programs related to payment processes and finance systems and written mail security policies and plans. Financial and security requirements are not included in the scope of this review.

<sup>10</sup>Large agencies are those whose collective total payments to all mail service providers equal or exceed \$1 million per fiscal year. 41 C.F.R. §§ 102-192.35, 102-192.85.

<sup>11</sup>41 C.F.R. § 102-192.95.

<sup>12</sup>41 C.F.R. §§ 102-192.110, 102-192.115.

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should be at a managerial level to enable the official to speak for the agency on mail management.<sup>13</sup>

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## VA is Not Managing Its Mail Program Effectively

### Fragmented Process for Procuring Mailing Equipment Has Contributed to VA's Inability to Track and Report Reliable Mail Cost and Volume Data

We found that the mail data—including volume as well as costs—VA reports to GSA are unreliable. Specifically, we found problems in VA's fiscal year 2015 and 2016 SMART data related to unreported, incomplete, or questionable data. For example, mail data for many facilities—including VA's 1,055 community-based outpatient clinics and 300 vet centers—were not accounted for, while other facilities submitted mail expenditure data without mail volume, or volume data without expenditures. Facilities also did not consistently report data on mail that was undeliverable as addressed. Still other facilities submitted data that were inaccurate due to typographical errors by VA personnel.

VA's mail data are unreliable because individual facilities, which the department relies on to track mail volume and cost data, use inconsistent processes to do so. For example, facilities may use different mailing equipment to track volume and costs, some of which has the capability to track mail data by service provider and class of mail, while other facilities' equipment may not be configured or may be too old to accept the software. Some facilities also rely on manual-entry methods such as spreadsheets to track mail data, or bills and receipts. Given the range of tracking methods and capabilities, VA has no agency-wide system to track mail expenditure and volume data, and mail managers have limited ability to validate the data before it is submitted to GSA.

Inconsistent methods and capabilities for tracking mail volume and cost data exist because VA's procurement of mailing equipment is fragmented. Different components of VHA and VBA make contracting decisions for mail room equipment independent of one another; for example, each of VBA's 56 regional benefit offices negotiates and purchases its own contract with authorized vendors. VHA reported that the contracts for mailing equipment at its 170 medical centers are established at various

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<sup>13</sup>41 C.F.R. §§ 102-192.120, 102-192.125.

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levels—in some cases, medical centers may establish their own contracts, while in others, a Veterans Integrated Service Network (VISN) establishes a contract for all the medical centers within a region.<sup>14</sup> VA facilities or other units individually negotiating contracts is likely not cost effective because this practice would not benefit from price discounts that might be available under procurement contracts covering much larger segments of the agency.<sup>15</sup> In fact, representatives from one of VA’s two primary mailing equipment providers estimated that it has about 3,000 contracts with VA facilities and said that VA would almost certainly reap cost savings if it negotiated fewer contracts at higher levels of the department.

VBA has taken preliminary steps to source its mailing equipment strategically, but VA lacks an overall plan to guide mail equipment procurement. In July 2016, VBA officials told us that its administration and field operations offices were collaborating to establish a blanket purchase agreement for mailing equipment in 56 regional benefit offices, targeting the end of fiscal year 2017 to finalize the contract. According to VBA, the contract is intended to provide opportunities to negotiate improved discounts and leverage buying power through volume purchasing, among other things. Officials stated that they intend to include software in the contract that would consolidate data across the regional benefit offices and allow centralized reporting to SMART. However, in February 2017, officials told us that it will take several years to establish the blanket purchase agreement because of current contracts in place at regional benefit offices. VBA officials stated that they were interested in including VHA in the contract in order to obtain better prices, but have not had any detailed discussions with VHA about the contract.

We recommended that VA develop and document a plan to source contracts for mailing equipment in a more strategic manner. Such strategic contract sourcing should enable facilities to obtain equipment to

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<sup>14</sup>Each of VHA’s VISNs is responsible for overseeing medical centers within a specified geographic area.

<sup>15</sup>We have found in the past that the agency has not consistently taken advantage of its large size in its purchases. See GAO, *Veterans Affairs Contracting: Improvements in Policies and Processes Could Yield Cost Savings and Efficiency*, [GAO-16-810](#) (Washington, D.C.: Sept. 16, 2016). In this report, we recommended that VA conduct a review of VISN-level strategic sourcing efforts, identify best practices, and, if needed, issue guidance to facilitate consolidation of similar requirements and leverage buying power across medical centers within VISNs. VA agreed with this recommendation, but has not yet implemented it.

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track mail volume and expenditure data more consistently and to maximize cost savings. VA agreed with this recommendation.

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## VA's Mail Policy Does Not Include Agency-Wide Goals and Performance Measures

VA's mail policy does not include agency-wide goals and performance measures for mail operations; as a result, VA is unable to determine the extent to which its mail operations are efficient and effective. The *FMR* requires that federal facilities have performance measures for mail operations at the agency level and in all mail facilities and program levels,<sup>16</sup> and we have previously found that measuring performance allows organizations to track progress toward goals and provides managers with performance data to make management decisions.<sup>17</sup> While VA lacks agency-wide goals and performance measures for mail operations, we found that the 10 facilities we reviewed had developed performance measures. However, these measures were not consistent across facilities. For example, the facilities reported using inconsistent measures of customer service, efficiency, volume, cost, accuracy, and staff performance. Officials from two regional benefit offices indicated that they have implemented timeliness standards for their mail. In addition, VHA's CMOP program has established performance measures for delivery of prescription medications but these metrics apply to the program's offsite vendor, rather than a VA facility mail operation.

VA's mail management policy—Directive 6340—does not address the performance measurement requirement that is in regulation because it predates the current *FMR* and has not been updated. Internal control standards call for agencies to update their policies to be consistent with changes in federal law and regulation.<sup>18</sup> VA officials told us that efforts involving GSA, the Centers for Medicare & Medicaid Services, and USPS were underway to update the policy, but did not provide documentation of these efforts.

We recommended that VA update VA Directive 6340 to incorporate agency-wide goals and performance measures for mail operations, and VA agreed with this recommendation.

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<sup>16</sup>41 C.F.R. § 102-192.110.

<sup>17</sup>GAO, *Federal Protective Service: Preliminary Results on Efforts to Assess Facility Risks and Oversee Contract Guards*, [GAO-12-943T](#) (Washington, D.C.: July 24, 2002).

<sup>18</sup>[GAO-14-704G](#).

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## VA Has Not Provided Mail Managers with Appropriate Authority and Responsibilities

The mail managers VA has designated at the agency and administration levels have limited ability to oversee mail operations across the agency because VA has not provided them with appropriate authority and responsibilities. The *FMR* requires agencies to have an agency mail manager and outlines the individual's recommended responsibilities, which include, among others, establishing written policies and procedures to provide timely and cost-effective dispatch and delivery of mail and materials, and ensuring that all facility and program-level mail personnel receive appropriate training and certifications to successfully perform their assigned duties. According to VA officials, the responsibilities of the agency mail manager are limited to oversight of Directive 6340, and do not include operational mail management responsibilities.

Additionally, according to the agency mail manager, mail operations in VHA and VBA facilities are the responsibility of the administration-level mail managers. However, the VHA and VBA mail managers told us that although they may advise individual facilities on mail management, they lack authority to direct mail operations at facilities. Further, while the *FMR* recommends that the agency mail manager ensure that all facility and mail program-level personnel receive appropriate training and certifications,<sup>19</sup> VHA's mail manager said he has never been encouraged to attend any training, and both the VHA and VBA mail managers said that they do not have the authority to require mail management employees to attend training. Individual facilities are generally responsible for their own mail operations with limited direction or guidance. Officials from the 10 facilities we reviewed stated that they have personnel who are responsible for their respective mail operations, but most of them had other responsibilities, such as logistics, warehouse operations, and mailroom machine maintenance.

We recommended that VA determine and document the authority and responsibilities of the agency and administration-level mail managers to enable them to improve management and oversight of mail operations. VA agreed with this recommendation.

Chairman Bergman, Ranking Member Kuster, and Members of the Subcommittee, this concludes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

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<sup>19</sup>41 C.F.R. § 102-192.130.



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## GAO Contact and Staff Acknowledgments

For questions about this statement, please contact Lori Rectanus at (202) 512-2834 or [rectanusl@gao.gov](mailto:rectanusl@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this testimony are Samer Abbas and Faye Morrison (Assistant Directors), Justin Reed (Analyst in Charge), Amy Abramowitz, Bonnie Pignatiello Leer, Malika Rice, Amy Rosewarne, Crystal Wesco, and Elizabeth Wood.

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