



FLORIDA DEPARTMENT OF HEALTH
OFFICE OF INSPECTOR GENERAL

DIVISION OF DISABILITY DETERMINATIONS'
MAIL SERVICES CONTRACTS

Report # V-1819-001 • September 6, 2019

Purpose of this project:

We wanted to determine whether selected tasks required by the Division of Disability Determinations' (DDD) contracts with Exela Enterprise Solutions, Inc. (Vendor) have been provided.

What we examined:

We evaluated selected service tasks from the contracts, reviewed current processes, and analyzed data related to use of postage and use of envelopes for the period July 1, 2014 through March 31, 2019. Some data was not available for the entire review period, as noted throughout the report.

Summary of results:

Tasks we reviewed, as required of the Vendor, are provided in agreement with the terms of the contracts. The Vendor provides efficient and effective services to DDD. Likewise, DDD largely has well designed processes and effective controls over management of the contracts. However, Management should address five identified control weaknesses:

- Payments for the three separate, but related functions used in DDD's relationship with the Vendor's processing of mail are approved without relational analysis of the entire process.
- Postage discounts are not currently available on 9" x 11 1/2", also referred to as "Flats".
- The Vendor was using a separate third party to Presort in Tampa, with no written agreement.
- DDD produced duplicate copies of correspondence for mailing.
- Contract language does not accurately reflect actual processes.

Additional details follow below. Management's response to the issues noted in this report may be found in **Appendix A**. The Vendor was also given an opportunity to respond to issues noted in this report as may relate to its operations. The Vendor chose to not respond.

BACKGROUND

DDD produces many types of correspondence to be mailed to claimants, to medical examiners for the verification of information provided by claimants, and also includes payment warrants, and surveys, all which require mail services at each of its six locations: Tallahassee, Jacksonville, Miami, Orlando, Pensacola, and Tampa. Requirements for much of the correspondence, including what must be produced, and controls over how the correspondence is mailed is stipulated by the Social Security Administration (SSA). Correspondence produced and processed at the Tallahassee site is for SSA and the Medically Needy Program (MNP). Correspondence produced and processed at all other locations is for SSA only.

DDD contracts with the Vendor to provide these mail services, including processing and envelopes. Important details about the contracts are discussed later in the "Detailed Results and Recommendations" section.

Three different sizes of window envelopes are used for mailing correspondence from DDDs' sites:

- No. 10 envelopes (4 1/8" x 9 1/2")
- 6" x 10"
- 9" x 11 1/2", or Flats, because the correspondence is inserted flat, without a fold.

DETAILED RESULTS AND RECOMMENDATIONS

Our review identified the following opportunities for improving effectiveness and efficiencies in operations:

1. Payments for the three separate, but related functions used in DDD's relationship with the Vendor's processing of mail are approved without relational analysis of the entire process.

- DDD's contract manager oversees two separate contracts with the Vendor:
 - A fixed-fee contract for the processing of mail. The volume of mail is not a factor in amount of this contract.
 - A commodities-type contract to print and provide envelopes for the sites. As a commodities-type contract, there is no *Statement of Work* (SOW).
 - The contracts we reviewed ended June 30, 2019, with planned renewal contracts with the Vendor.
- There is a separate, third process for payment of postage. The Vendor downloads postage for the meter at each site via the internet. The SSA directly pays for the postage. DDD's contract manager does not account for, review or approve the cost of, or pay for postage.
- DDD prints its own correspondence, as required by SSA, because of security concerns. The correspondence is couriered by the Vendor to its own nearby location where it is stuffed into envelopes, sealed, weighed and metered, and then sent for mailing (hereafter referred to as Processed, Processing). DDD staff have no knowledge of, or concern for what size envelope is used for the correspondence. There are guidelines as to what type of correspondence is placed in a certain size of envelope. However, because of such factors including bulk, envelope size is at the discretion of the Vendor.
- SSA receives no detailed information about the quantity of envelopes by size, but receives only a periodic report for each meter, by site (*Funds Reports*), of cumulative total number of pieces, and recent refill dates and amounts. The Vendor provides these to DDD's contract manager, who forwards them to SSA without review or analysis.
- The successful mailing of DDD's correspondence depends on these three interrelated pieces of the process, but there is no overall, unified monitoring control over the entire process.
- The *Funds Reports* are not necessarily always timely or accurate. As only an example, one *Funds Report* labeled "For Feb 2019", showed it was printed by the Vendor's staff at the Miami site February 28, 2019, for a refill date of September 18, 2018. The report was also mathematically inaccurate, showing the postage meter read \$80,838.84 before the \$5.00 refill, and \$99,377.11 after the \$5 refill, a difference of \$18,533.27.

- We analyzed postage meter funds expended by site, for the review period, where complete data was still available (Please see *Exhibit 2*). We noticed from our analysis:
 - Postage costs dramatically increased at the Orlando and Tampa sites (*Exhibit 2*), while the amount of correspondence at those sites has varied from year-to-year, but not significantly increased (*Exhibit 3*). We also noticed that the quantity of Flats purchased from the Vendor also dramatically increased at those sites (*Exhibit 1*).
 - Conversely, while the amount of correspondence at the Pensacola site also increased (*Exhibit 3*), postage costs remained steady (*Exhibit 2*), and the quantity of Flats purchased from the Vendor were few (*Exhibit 1*).
- When there are three important functions (i.e., processing, envelopes, postage) to the successful completion of a process, but each function is separately reviewed and approved without some type of regular, periodic relational analysis that links each piece of the process, there is an increased risk that unnecessary costs and waste of funds could be incurred without those responsible for the success of the process being aware. For example, an analysis by site, of available data showing an increase of envelope use compared to a decrease in correspondence produced, could identify an anomaly the contract manager should inquire about, should analysis warrant. The monthly reports and other data currently provided by the Vendor to the contract manager do not serve to be as useful as what is maintained by and available from the Vendor. The contract manager does not currently receive monthly data on the quantity of No. 10, 6" x 10", and Flats envelopes used, by site.

We recommend DDD's contract manager implement some type of regular, periodic analysis of data already made available, or that could be required to be made available through contract terms, from DDD and the Vendor, that assists the contract manager to monitor the reasonableness of costs.

2. Postage discounts are not currently applied on Flats.

- The United States Postal Service (USPS) offers savings to large vendors that sort the mail by ZIP Code™ (Presort) or transport the mail to a destination postal facility.
- The Vendor contracts with Pitney Bowes® to Presort in Jacksonville, certain sizes of envelopes to be mailed for the Tallahassee and Jacksonville sites (currently No.10 and 6" x 10" envelopes), for a guaranteed rate of 41.2¢ per envelope, for any weight not over 3.5 ounces.
- No Presort discount is currently available for the Pensacola and Miami sites for any size envelope.
- Presort for DDD's Flats is not used at any of DDD's sites. Postage for Flats is currently applied at the USPS "Full Rate", based on weight per ounce (e.g., \$1.15, \$1.30, \$1.45, \$1.60, \$1.75, \$1.90, and so on).
- Sites where there is increased use of Flats (refer to Finding No. 1 above), there is an increased cost to DDD and SSA both in postage and envelopes purchased.
- DDD's SOW requires the Vendor to "[m]eter all first class letter mail at the lowest appropriate postal rate in order to achieve the highest possible discount or lowest possible rate by budget/cost center number daily." And to "[e]nsure the best possible class selection is chosen for all out-going mail based on cost, policy, timeliness and delivery needs."

- Given the amount of correspondence produced by DDD (*Exhibit 3*) and the use of Flats (*Exhibit 1*), significant savings could be experienced with greater use of Presort, especially where there are vendors that offer Presort within close proximity, so it is financially feasible for all parties.

We recommend DDD management and the Vendor negotiate Presort discounts for Flats, where there are vendors that offer such discounts within close proximity to the site.

3. The Vendor was using a separate third party to Presort in Tampa, with no written agreement.

- We identified the Vendor was delivering mail to a separate third party, TC Delivers, to Presort in Tampa, certain sizes of envelopes to be mailed for the Orlando and Tampa sites (currently No.10 and 6" x 10" envelopes), for a guaranteed rate of 45.9¢.
- DDD was not aware of this part of its mail services process.
- Neither DDD or the Vendor had an active Presort agreement with TC Delivers. DDD explained its use of TC Delivers predated any agreement with the Vendor.
- While SSA enjoyed savings in reduced postage, TC Delivers was also profiting in payments from USPS, by processing DDD's mail through a further reduced postage rate lower than the guaranteed rate paid by SSA.
- There may have been no legal recourse without a written agreement, should any of DDD's confidential mail from the Orlando and Tampa sites been lost or mis-appropriately used.
- There may be other risks and liabilities, including the potential for fraud. However, we were unable to make such an assessment within the scope of this project.

We recommend DDD management and the Vendor amend the contract to include a Presort arrangement with a contracted third party for the Orlando and Tampa sites.

4. DDD produced duplicate copies of correspondence for mailing.

- During our visits to the Vendor's processing sites, DDD staff produced exact duplicates for some correspondence to be separately mailed to claimants and claimants' representative (claimants). This results in increased costs to DDD and SSA both in postage and envelopes purchased. Duplicates produced by DDD staff may also have been occurring at the other sites we did not visit.
- It is not the responsibility of the Vendor to identify and prevent such duplicates from being mailed. The Vendor's responsibility is to process all correspondence produced by DDD.
- We learned that DDD produces multiple correspondence documents, in the form of questionnaires (e.g., Supplemental Pain Questionnaire, Supplemental Seizure Questionnaire, et al.), that are mailed to claimants, which could be as many as 10 envelopes the same day, all appearing identical on face, except for different requests for a description of the different type of potential disability. While separate mailings may be governed by SSA, receiving so many mailings that appear identical on face could be confusing to any claimant opening their mail, and susceptible to dismissal of immediate, necessary attention.

We recommend DDD management research why exact duplicates of correspondence documents are created and implement a control to prevent the occurrence.

We also recommend DDD management further research the feasibility of combining certain correspondence mailed to claimants into one mailing.

5. Contract language does not accurately reflect actual processes.

Service tasks in the SOW for mail services state the Vendor will:

- “Receive disability material electronically from [the] Department; verify, job, fold and insert on automated inserting equipment within 3 days of receipt.”
 - The actual process is that DDD staff produces hard-copy correspondence documents for SSA and MNP, which the Vendor couriers to its processing site.
- “Submit a monthly production and volume report with the invoice for statewide and area offices detailing the quantity, type and cost of mail service, envelope inventory status in accordance with format in Exhibit B.” Exhibit B also requires the envelope inventory status.
 - Our analysis revealed the monthly production and volume reports do not include envelope inventory status. Such information would assist DDD’s contract manager perform data analysis as recommended in Finding No. 1 above.

We recommend DDD management either revise its SOW with the Vendor to accurately reflect actual expected tasks, or ensure the Vendor comply with exact contract terms.

SUPPLEMENTAL INFORMATION

Section 20.055, *Florida Statutes*, charges the Department's Office of Inspector General with responsibility to provide a central point for coordination of activities that promote accountability, integrity, and efficiency in government.

Mark H. Boehmer, CPA, Director of Auditing, conducted this review, with assistance from Ashlea K. Mincy, CIGA, Senior Management Analyst II, under the supervision of Michael J. Bennett, CIA, CGAP, CIG, Inspector General.

Our methodology included reviewing contracts, conducting interviews, analyzing data related to postage costs and use of envelopes, and observing the Vendor's processes at the Tallahassee and Orlando sites.

This project was not an audit, as industry-established auditing standards were not applied. Internal Audit Unit procedures for the performance of reviews were followed and used during this project.

We want to thank management and staff of DDD and the Vendor for the information and documentation they provided, and for their cooperation throughout the project.

The Vendor was provided an opportunity to respond to Findings 2 and 3, pursuant to Section 20.055(6)(e), *Florida Statutes*. The response may be found as Appendix B of this report.

Copies of all final reports are available on our website at www.floridahealth.gov (search: internal audit). If you have questions or comments, please contact us by the following means:

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EXHIBIT 1

9" x 11 1/2" Envelopes (Flats) sold to DDD, by Site¹

Year	Quantity Purchased		Price per Item		Extended Price	Total Price
Tallahassee						
2015	260,000		\$0.19		\$49,400	\$49,400
2016	267,500		\$0.19		\$50,825	\$50,825
2017	225,000		\$0.19		\$42,750	\$42,750
2018	183,500	Jan-Jun	\$0.19	67,500	\$12,825	
		Jul-Dec	\$0.21	116,000	\$24,360	\$37,185
						\$180,160
Jacksonville						
2016	77,500		\$0.19		\$14,725	\$14,725
2017	73,000		\$0.19		\$13,870	\$13,870
2018	80,000	Jan-Jun	\$0.19	30,000	\$5,700	
		Jul-Dec	\$0.21	50,000	\$10,500	\$16,200
						\$44,795
Miami						
2016	36,500		\$0.19		\$6,935	\$6,935
2017	21,000		\$0.19		\$3,990	\$3,990
2018	28,000	Jan-Jun	\$0.19	16,500	\$3,135	
		Jul-Dec	\$0.21	11,500	\$2,415	\$5,550
						\$16,475
Orlando						
2016	101,500		\$0.19		\$19,285	\$19,285
2017	168,000		\$0.19		\$31,920	\$31,920
2018	194,500	Jan-Jun	\$0.19	75,000	\$14,250	
		Jul-Dec	\$0.21	119,500	\$25,095	\$39,345
						\$90,550
Pensacola						
2016						
2017						
2018	5,000	Jul-Dec	\$0.21	5,000	\$1,050	\$1,050
						\$1,050
Tampa						
2016						
2017	48,000		\$0.19		\$9,120	\$9,120
2018	132,500	Jan-Jun	\$0.19	45,000	\$8,550	
		Jul-Dec	\$0.21	87,500	\$18,375	\$26,925
						\$36,045

¹ Data provided by Exela

EXHIBIT 2

Postage Meter Funds Expended, by Site²

Tallahassee	
The contract manager was unable to provide a complete set of Funds Reports for the Tallahassee site for some years. This table does not represent a complete analysis of total postage for this site.	
March 18, 2015 – March 22, 2016	\$367,500
March 23, 2016 – March 29, 2017	\$764,368
March 30, 2017 – March 29, 2018	\$374,372
March 30, 2018 – March 29, 2019	\$487,230

Jacksonville	
January 26, 2015 – March 1, 2016	\$411,817
March 2, 2016 – March 1, 2017	\$351,612
March 2, 2017 – March 16, 2018	\$372,406
March 17, 2018 – March 11, 2019	\$296,211

Miami	
September 3, 2014 – March 6, 2015	\$115,264
March 7, 2015 – March 14, 2016	\$217,493
March 15, 2016 – March 14, 2017	\$158,694
March 15, 2017 – March 14, 2018	\$138,148
March 15, 2018 – March 14, 2019	\$153,903

Orlando	
June 11, 2015 – March 17, 2016	\$252,840
March 18, 2016 – March 15, 2017	\$470,312
March 16, 2017 – March 15, 2018	\$497,630
March 16, 2018 – March 26, 2019	\$553,950

Pensacola	
August 1, 2014 – March 1, 2015	\$120,660
March 2, 2015 – March 1, 2016	\$285,586
March 2, 2016 – March 1, 2017	\$309,482
March 2, 2017 – March 1, 2018	\$298,131
March 2, 2018 – March 18, 2019	\$297,991

Tampa	
September 4, 2014 – March 18, 2015	\$185,010
March 19, 2015 – March 21, 2016	\$333,920
March 22, 2016 – March 10, 2017	\$324,441
March 11, 2017 – March 19, 2018	\$402,462
March 20, 2018 – March 27, 2019	\$464,051

² Reports provided by DDD.

EXHIBIT 3

Total Correspondence Count³, by Site

	Tallahassee	Jacksonville	Miami	Orlando	Pensacola	Tampa
2015	824,616	358,464	165,945	511,627	294,915	414,644
2016	1,036,044	422,895	187,806	655,769	425,309	529,706
2017	1,012,128	417,510	142,599	622,845	407,476	518,757
2018	941,328	391,729	144,730	664,926	455,542	546,818

³ Data provided by DDD.

APPENDIX A: MANAGEMENT RESPONSE

	Recommendation	Management Response
1	<i>We recommend DDD's contract manager implement some type of regular, periodic analysis of data already made available, or that could be required to be made available through contract terms, from DDD and the Vendor, that assists the contract manager to monitor the reasonableness of costs.</i>	<p>We concur. DDD will make changes in the SOW's terms, for the Vendor to provide a weekly envelope inventory report. Additionally, DDD will create an internal monthly postage spreadsheet to review postal funds. By creating the postage spreadsheet DDD will ensure the monthly funds report sent to SSA is accurate. DDD will use the new reports to conduct a comparative analysis of the mail services provided by the Vendor.</p> <p><i>Contact:</i> Ann Habib, Contract Manager <i>Anticipated Completion Date:</i> November 1, 2019</p>
2	<i>We recommend DDD management and the Vendor negotiate Presort discounts for Flats, where there are vendors that offer such discounts within close proximity to the site.</i>	<p>We concur. DDD has instructed the Vendor to research third party vendors to obtain a Presort discount agreement on Flats. DDD will review the final proposal from the Vendor to assess the feasibility of the solution.</p> <p><i>Contact:</i> Ann Habib, Contract Manager <i>Anticipated Completion Date:</i> November 1, 2019</p>
3	<i>We recommend DDD management and the Vendor amend the contract to include a Presort arrangement with a contracted third party for the Orlando and Tampa sites.</i>	<p>We concur. The Vendor has entered into a written agreement with a third party (Pitney Bowes) to provide Presort services in Orlando and Tampa. This agreement was pre-existing and serviced DDD's Jacksonville and Tallahassee area offices but then expanded to service Orlando and Tampa. DDD has asked for this agreement from the Vendor.</p> <p><i>Contact:</i> Ann Habib, Contract Manager <i>Completed</i></p>
4.1	<i>We recommend DDD management research why exact duplicates of correspondence documents are created and implement a control to prevent the occurrence.</i>	<p>We concur. We researched this issue with our Area Managers. There is no reason for exact duplicates of correspondence documents to be printed. We learned that at times, especially when printers are backed up and printing is delayed, staff become impatient and in error print out another copy. Area Managers have been reminded to inform staff to make sure only one correspondence letter is sent. There are no additional internal controls to be implemented on the system.</p> <p><i>Contact:</i> Brian Garber, Director, DDD <i>Completed</i></p>

	Recommendation	Management Response
4.2	<p><i>We also recommend DDD management further research the feasibility of combining certain correspondence mailed to claimants into one mailing.</i></p>	<p>We concur. DDD will take no action. Combining claimant letters (CL) would slow down DDD's business process. When DDD first went electronic, we sent out all CLs in one package or under one cover letter. Each CL must come back with the corresponding cover letter/barcode, for our business process to work smoothly. The barcode is what puts the CL in the correct location in the Electronic Folder (EF) and identifies the type of letter. If a letter is returned without its corresponding cover letter/barcode, or sent back under one letter, the examiner then has to split the document and "label" each document correctly, or print the document, reprint the cover letter and have the CL scanned back into the EF, thus slowing down DDD's business process.</p> <p><i>Contact: Brian Garber, Director, DDD</i> <i>Management accepts any risk associated with the finding.</i></p>
5	<p><i>We recommend DDD management either revise its SOW with the Vendor to accurately reflect actual expected tasks, or ensure the Vendor comply with exact contract terms.</i></p>	<p>We concur. DDD will revise the SOW to reflect the actual task.</p> <p><i>Contact: Ann Habib, Contract Manager</i> <i>Anticipated Completion Date: November 1, 2019</i></p>