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SUBJECT: Management Advisory – Postal Service's
Procedures to Validate Change-of-Address
Orders (Report Number OE-MA-03-005)

This management advisory report presents the results of the Office of Inspector General's (OIG) review of the change-of-address process (Project Number 02BG010EM002). We initiated this review during our audit of the MoversGuide.com¹ initiative when we identified issues concerning change-of-address policy. The objective of our review was to determine the adequacy of the process used to validate change-of-address orders.

Results in Brief

We determined the process used to validate change-of-address orders was adequate. The process helped the Postal Service detect fraudulent orders and prevent customers' mail from being unlawfully diverted.

We also assessed, as possible alternative or supplemental methods, whether the Postal Service should require customers to present identification at a post office

¹ MoversGuide.com is an Internet-based service that allows consumers to change their addresses with the Postal Service electronically or to print and submit a hardcopy change-of-address order to the Postal Service, and to access a variety of move-related products and services.

when submitting change-of-address orders, and whether it could use a potential "Change-of-Address by Phone" service to help further prevent change-of-address fraud.

We determined while in-person identity verification requirements could deter potential criminals from submitting fraudulent orders, it would adversely impact customers and could prove to be too costly. For example, millions of customers would be required to travel to post offices and incur a wait to submit their orders, and the Postal Service would incur increased operating costs to serve the additional customers. We also concluded if the Postal Service assesses a "Change-of-Address by Phone" service, it might want to explore controls to prevent the Postal Service from accepting fraudulent change-of-address orders through this service.

Management agreed with our conclusions and its comments are responsive to the information presented in this report. Management's comments, in their entirety, are included in the appendix of this report.

Background

Approximately 44 million change-of-address orders are submitted per year. Customers can submit a change-of-address order at a post office, via the mail, through their mail carriers, or online. In addition, third parties can submit an order on behalf of a customer. The order requires the customer's signature or the signature of the customer's representative. There is no requirement that a customer interface with a Postal Service employee to submit a change-of-address order.

Prior to 1996, the Postal Service did not have procedures to help determine when change-of-address orders were valid. During 1996, *60 Minutes*² reported someone fraudulently changed a physician's address. The physician learned the Postal Service accepted change-of-address orders from consumers without proof of identification. As a result of the fraudulent change-of-address, the physician's identity was

² *60 Minutes* is a weekly CBS news show.

stolen.³ Shortly after this incident, the Postal Service implemented procedures to validate change-of-address orders and minimize identity theft.⁴

With the current process, the Postal Service sends a move validation letter to the customer after receiving a change-of-address order. If the customer for that address did not request the change, the letter includes a toll-free telephone number for the customer to call to report the discrepancy.

Objective, Scope, and Methodology

The objective of our review was to determine the adequacy of the process used to validate change-of-address orders. To accomplish this objective, we interviewed headquarters officials, program staff, and representatives of foreign postal agencies. We reviewed Postal Service change-of-address policies and procedures and foreign postal agencies' procedures. We also reviewed and analyzed Postal Service fraudulent and incorrect change-of-address complaints and mail theft cases.

We conducted this review from October 2002 through May 2003 in accordance with the President's Council on Integrity and Efficiency, Quality Standards for Inspections. We discussed our conclusions and observations with appropriate management officials and included their comments, where appropriate.

Prior Report Coverage

The OIG published a report, Commercial Internet Companies Offering Change-of-Address Services (Report Number OE-MA-03-003, dated February 25, 2003). In this report, the OIG concluded the commercial companies were operating within Postal Service policy when submitting change-of-address orders to the Postal Service on behalf of consumers. Management agreed with our conclusion that it would be prudent for the Postal Service to explore leveraging commercial change-of-address services.

Change-of-Address Order Validation

While fraudulent changes-of-address occurred, the Postal Service's process to validate change-of-address orders was adequate. The move validation letter helped the Postal

³ Identity theft describes crimes in which someone wrongfully obtains and uses another person's personal data in a way that involves fraud or deception, typically for economic gain.

⁴ The Federal Trade Commission reported that one of the ways a person's identity can be stolen is by theft of mail through fraudulent changes-of-address.

Service detect when fraudulent change-of-address orders were processed and helped prevent customers' mail from being unlawfully forwarded. Specifically:

- Customers contacted the Postal Service in response to the letters when they did not submit the change-of-address order.
- If the change-of-address order was determined to be fraudulent, the Postal Service cancelled the order, thus preventing customers' mail from being unlawfully diverted.

In September 2001, the Postal Service implemented an Internet service, called MoversGuide.com, to provide customers with an alternative and more convenient method to submit change-of-address orders. The MoversGuide.com service includes an additional control to help validate the orders. Customers can change their address online by providing a valid credit card number, used to match their billing address with the address entered on the order.⁵ This online feature used in combination with the move validation letters should help the Postal Service further minimize fraudulent change-of-address orders.

Identity Theft Incidents
are Minimal

Since fraudulent change-of-address orders enter the mailstream, we were concerned about the opportunity for identity theft. Based on available data, we found the incidence of identity theft resulting from fraudulent change-of-address orders was minimal. Specifically, from November 1999 through September 2001, the Federal Trade Commission reported it received 19,241 identity theft complaints from victims who knew how their identity was stolen.⁶ Thirteen percent (2,577) of the complaints involved mail theft or a fraudulent change-of-address. However, even if the 2,577 identity theft complaints were the result of change-of-address fraud, this only represents approximately three one-thousandths of 1 percent of the 84 million change-of-address orders we estimated would have been submitted during the above period.⁷

⁵ MoversGuide.com also allows customers to print out and submit hardcopy change-of-address orders to the Postal Service similar to the current manual procedures.

⁶ According to the Federal Trade Commission, most identity theft victims do not know how their identity was stolen.

⁷ The report did not distinguish the complaints linked to mail theft from those linked to fraudulent change-of-address.

Options to Consider to
Enhance the Change-
of-Address Validation
Process

During our review, we became aware of information we believed could help the Postal Service further prevent fraudulent change-of-address orders.

We learned some foreign postal agencies required customers to present at least one form of identification in person before they accepted and processed address change requests. However, we also learned the foreign agencies did not use controls similar to move validation letters to help detect the fraudulent requests; they reported some mail was still unlawfully diverted. Specifically:

- One of the foreign agencies' officials we interviewed reported some fraudulent address changes were detected after the mail was forwarded. Customers reportedly detected some of the incidents after they stopped receiving their mail. Other incidents were reportedly detected as a result of police investigations into activities such as fraudulent use of credit cards or fraudulent negotiation of checks.
- The other agency reported an increase in fraudulent address changes through the use of fake identification cards.

We assessed whether it would be prudent for the Postal Service to mandate in-person identification at post offices. We concluded while there may be some benefits, the potential drawbacks to customer service and increased costs to the Postal Service would outweigh the benefits.

The potential benefits include:

- A reduction in fraudulent change-of-address orders accepted by the Postal Service. Requiring in-person identification could deter potential criminals from submitting fraudulent orders.
- Improved address quality, which could reduce mail-forwarding costs.⁸ Window clerks could help ensure the quality and accuracy of the information the customer submitted. This benefit also supports the

⁸ Mail-forwarding costs the Postal Service approximately \$438 million per year, which includes costs for carrier preparation, clerk handling, and mail processing.

Postal Service's Transformation Plan strategy to improve the overall accuracy of address information.

The potential drawbacks include:

- The negative impact on customer service. Requiring customers to submit identification in person would involve millions of customers going to post offices, which would be an inconvenience to the customer. In addition, the increased customer traffic at post offices would increase customer lines and customer wait times.
- Increased operating costs for the Postal Service to serve additional customers at the window. Since in-person identification would not likely eliminate the need for and the associated costs of move validation letters, in-person identification at post offices would involve additional costs to the Postal Service.⁹

We also learned the Mailing Industry Task Force¹⁰ supports making Postal Service products and services easier to use through self-service technology. For example, the task force supports the evaluation of a "Change-of-Address by Phone" service. This service would use the Postal Service's call centers to accept change-of-address orders via a toll-free number. If the Postal Service evaluates this service, it might want to explore controls to prevent the Postal Service from accepting fraudulent change-of-address orders through this service.¹¹

Conclusion

We determined the process the Postal Service used to validate change-of-address orders was adequate. The move validation letters helped detect when fraudulent orders were processed. The letters also helped prevent customers' mail from being unlawfully forwarded, mitigating identity theft.

⁹ It costs the Postal Service approximately \$13 million annually to produce and mail move validation letters. The move validation letter costs include production, labor, printing, and postage. Additional costs would include additional window clerk time and wages for this additional process and to service the increased customer traffic.

¹⁰ The Mailing Industry Task Force was formed in March 2001 to analyze the state of the mailing industry and identify opportunities for future growth. It is comprised of representatives from the Postal Service and private sector mailing industry leaders.

¹¹ The OIG did not assess the viability of the "Change-of-Address by Phone" service.

In addition, while no solution would be 100 percent effective at preventing fraudulent change-of-address orders, the Postal Service might want to explore controls in the "Change-of-Address by Phone" service supported by the Mailing Industry Task Force. However, we believe requiring in-person identity verification could adversely impact customers and could prove to be too costly.

**Management's
Comments**

Management agreed with our conclusion. In addition, management stated it would continue to use current procedures to validate change-of-address orders as it plans the implementation of a change-of-address by telephone service.

**Evaluation of
Management's
Comments**

Management's comments are responsive to the information presented in this report.

We appreciate the cooperation and courtesies provided by your staff during our review. If you have any questions or need additional information, please contact Robert J. Batta, director, Accepting and Processing, at (703) 248-2100 or me at (703) 248-2300.

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APPENDIX. MANAGEMENT'S COMMENTS



May 12, 2003


KIM H. STROUD

SUBJECT: Draft Management Advisory—Postal Service's Procedures to Validate
Change-of-Address Orders (Report Number OE-MA-03-DRAFT)

Thank you for your assessment of the Postal Service's procedures to validate change-of-address orders. In your report, you acknowledge that the process used by the Postal Service, which involves mailing a Move Validation Letter (MVL) to moving customers at their old address validating that there has been an order submitted to forward their mail, is adequate to validate change-of-address requests. You acknowledge that this procedure helps to detect when fraudulent change-of address orders are processed and prevents customer's mail from being unlawfully forwarded. You also acknowledge that with the implementation of the MoversGuide.com Internet change-of-address service, the Postal Service implemented additional controls through the credit card identity validation process to help further reduce the potential for fraudulent change-of-address orders.

Management agrees with your conclusion that the current process used to validate change-of-address orders is adequate. We will continue to use these same procedures in the change-of-address process as we plan implementation of change-of-address via telephone. We also agree with your assessment that requiring in-person identity validation in post offices would negatively impact customer satisfaction, and add additional costs to the mail forwarding process.

If you wish to discuss any of our comments, our staffs are available at your convenience.


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