



March 30, 2006

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SUBJECT: Audit Report – National Change of Address – Emergency  
Preparedness (Report Number IS-AR-06-005)

This report presents the results of our self-initiated audit of the U.S. Postal Service's actions to implement change of address (COA) procedures during a time of national emergency (Project Number 05BG018IS001). Specifically, we reviewed the Postal Service's response to Hurricane Katrina related to the implementation of emergency COA procedures.

### **Background**

The National Change of Address (NCOA) process provides a way for customers to change their addresses manually using Postal Service (PS) Form 3575, Official Mail Forwarding Change of Address Order, through the Internet or over the telephone. The Gulf Coast was hit by Hurricane Katrina on August 29, 2005, while we were conducting an application control review of the NCOA process. Postal Service operations were greatly affected due to the loss of many facilities in the affected areas, while the COA workload greatly increased from the displacement of over 1 million customers.

The U.S. Postal Service Office of Inspector General (OIG) established a task force of auditors and investigators to review the Postal Service's Katrina activities. The objectives are to assess internal controls; identify potential areas of fraud, waste, and mismanagement; and evaluate the effectiveness of the Postal Service's actions. The task force will make initial assessments, provide lessons learned, identify areas that need improvement, and convey the positive actions the Postal Service took during this significant event. We initiated an additional effort to assess the Postal Service's response to the hurricane and to cover the establishment and implementation of emergency COA procedures. The OIG Task Force for Natural Disasters will incorporate the results of this audit into a summary report.

The Postal Service has created an Integrated Emergency Management Plan (IEMP), which is an all-hazard comprehensive plan that is being implemented at the district level. They developed the IEMP to meet the requirements of Homeland Security Presidential Directive 5 (HSPD-5). The IEMP combines the procedures from current stand-alone emergency plans and brings them into an integrated plan that satisfies federal regulations and internal requirements.

During our review we met with key Postal Service officials to determine what COA procedures the Postal Service used in response to Hurricane Katrina. As a result, we determined Postal Service officials created and implemented emergency COA procedures to redirect the mail to displaced customers affected by the hurricane. The information provided in this report primarily describes Postal Service-wide post-Katrina activities associated with the COA process.

### **Objective, Scope, and Methodology**

Our objective was to assess the Postal Service's actions to implement COA procedures during a time of national emergency. During our review, we determined what additional COA procedures the Postal Service created and implemented in response to Hurricane Katrina. We discussed with key Postal Service officials the COA processes put in place in various Postal Service departments to ensure displaced customers received their mail in a timely manner. We assessed these procedures and are coordinating with the Postal Service to ensure they incorporate the essential ones in a formal policy. The OIG will make an overall assessment of the adequacy of IEMPs in a summary report.

We conducted this audit from October 2005 through March 2006 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. We discussed our observations and conclusions with management officials and included their comments where appropriate. We did not validate the accuracy of the computerized statistical data provided; rather we relied on Postal Service officials to provide us with the most accurate information available.

### **Prior Audit Coverage**

The OIG issued a report titled *Performance Audit of the USPS National Change of Address Program* (Report Number DS-AR-99-001, dated March 1999) that assessed the full costs of running the NCOA program. It was determined the benefits of the NCOA program far outweigh the net costs of the NCOA program. (Note: the NCOA program is now referred to as NCOA Link.) We recommended that management ensure they recover the full cost of the benefit they provide to the licensee. Management concurred with our assessment and agreed to take action by increasing the annual licensing fee.

The OIG issued a management advisory report titled *Commercial Internet Companies Offering Change-of-Address Services* (Report Number OE-MA-03-003, dated February 25, 2003) analyzing the options the Postal Service provided concerning commercial Internet companies offering COA services. We determined it is more prudent for the Postal Service to leverage commercial change-of-address services, which will improve the overall accuracy of the address information and will reduce the undeliverable-as-addressed mail. Management agreed with our conclusion and there were no recommendations.

The OIG issued a management advisory report titled *Postal Service's Procedures to Validate Change-of-Address Orders* (Report Number OE-MA-03-005, dated May 21, 2003) which determined the adequacy of the process used to validate COA orders was adequate, helped detect fraudulent orders, and prevented customers' mail from being unlawfully diverted. Management agreed with our conclusion and there were no recommendations.

The OIG issued an audit report titled *Address Change Service* (Report Number TD-AR-03-004, dated March 12, 2003) outlining the review of the Address Change Service (ACS) program. This report identified that from September 2000 to July 2002, the Postal Service processed approximately 300 million pieces of ACS mail and mishandled 20 percent of it. This resulted in unnecessary processing costs of over \$20 million. We recommended management develop necessary training materials, ensure managers analyze ACS performance data and provide feedback to local post offices, and update Handbook PO-602, *Computerized Forwarding System Managers and Supervisors Guide*, to include guidance on ACS procedures. We also recommended management update Publication 8, *Address Change Service*, to provide guidance concerning keyline procedures and establish a dedicated customer concern unit to act upon ACS mailer concerns. Management agreed with our recommendations (five of which were considered significant) and, subsequently, has taken action. The recommendations are now closed.

## **Results**

Postal Service officials responded diligently to Hurricane Katrina by creating new procedures to redirect mail to affected customers under extremely tight time constraints. We found the Postal Service could benefit from establishing and consolidating essential COA emergency procedures in a formalized policy, such as the IEMP, for distribution throughout the Postal Service. This will assist in providing improved guidance to Postal Service officials in responding to future disasters.

### **Timely Response to Hurricane Katrina Aftermath**

We commend the Postal Service for rapidly responding during the aftermath of Hurricane Katrina and for redirecting the mail to over 1 million displaced customers. We

believe they did an exemplary job implementing emergency COA procedures. Although the Postal Service had limited COA emergency response procedures to work with, they immediately formed a steering committee to create new procedures. The steering committee consisted of key officials from all departments organization-wide who worked nights, weekends, and over the Labor Day holiday to assess situations and adapt new emergency procedures to redirect mail. The IEMP identifies the goal to redirect mail when necessary, but does not include procedures specific to COA. The Postal Service quickly identified a way to redirect a large volume of mail to over 1 million customers with very few applicable procedures in place to help guide Postal Service officials' response.

We believe the Postal Service should take advantage of “lessons learned” by capturing some of these newly created emergency procedures specific to COA in a formal policy such as the IEMP. We discussed the possibility of including essential procedures in such a policy for distribution throughout the Postal Service. Postal Service officials agreed it would be beneficial to establish COA emergency policies that give managers a broader range of authority than current policy allows under normal conditions. As a result of the Postal Service's quick response to Hurricane Katrina, customers continued to receive their mail in a timely manner.

### **Steering Committee**

As a result of Hurricane Katrina, the Postal Service established an emergency steering committee comprised of key officials from all involved departments to address the redirection of mail. The steering committee members represented departments such as Corporate Field Support Operations, Address Management Systems, Corporate Customer Contact, Marketing Integration, Delivery and Processing Operations, Consumer Policy and Strategy, Corporate Law, Corporate Information Security Office, and the U.S. Postal Inspection Service. Some procedures put in place by these departments are outlined below.

- Corporate Field Support Operations provided a clear line of communication to senior vice presidents to approve new and specific emergency procedures.
- Address Management Systems created Emergency Change of Address (ECOAs) procedures. These procedures included, but were not limited to:
  - The creation of unique ZIP Codes and pseudo addresses. The Postal Service created pseudo addresses (using post office boxes) to connect customers with their mail while they were staying in large emergency shelters such as the Houston Astrodome and Louisiana Superdome.
  - The Postal Service created special PS Forms 3575 (ECOAs or 3575EMGs) for displaced customers to enter their COA information, including their new

pseudo addresses. Only hurricane victims that accepted pseudo addresses used these forms.

- Customer Contact Solutions expanded their normal business hours (24 hours a day/7 days a week) at the call center for telephone COAs in an effort to ensure their availability to respond to customer requests.
- Marketing Integration worked with major mailers to postpone delivery of mailings to customers affected by the hurricane and to avoid unnecessary accumulation of delayed mail.
- Delivery Operations created temporary delivery units to sort and deliver mail to affected customers. This required them to obtain spare delivery equipment-carrier cases and roll bars<sup>1</sup> to sort and organize the mail.
- Processing and Operations created temporary facilities with equipment in an effort to expedite processing of recovered mail and redirect mail to affected customers.
- Consumer Policy and Strategy, Corporate Law, and Address Management Systems worked with other agencies (such as the Federal Emergency Management Agency and The National Center for Missing and Exploited Children) to coordinate and share COA information while ensuring the agreements to protect customers' privacy continued.
- Corporate Information Security Office made changes to the COA applications to allow for the credit card waiver. They also made changes to USPS.com and the Blue Pages<sup>2</sup> to ensure information reflected the most current situation in the hurricane-affected areas.
- The Postal Inspection Service worked with Address Management Systems to add compensating controls while the waiver of the \$1 credit card fee was in place.

As a result of the Postal Service's quick response to this emergency, customers from the affected areas received their mail in a timely manner.

### **Workload Increased Significantly**

The Postal Service responded admirably to significantly increased COA workload requirements after the hurricane. There were over 1 million displaced customers from the affected areas. These customers were evacuated from their homes and placed in temporary shelters, and many had to move several times. The Postal Service gave

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<sup>1</sup> Roll bars are four-sided rods used with the carrier cases to enable one case to be used to sort four different routes.

<sup>2</sup> Blue Pages is the intranet website for Postal Service employees. The Blue Pages provide access to timely Postal Service employee news and information.

customers three options to change their address: (1) manually, using PS Form 3575, (2) through the Internet, or (3) over the telephone. They recommended using the Internet and telephone in an effort to provide the quickest response. We compared statistics based on customer use of these three methods.

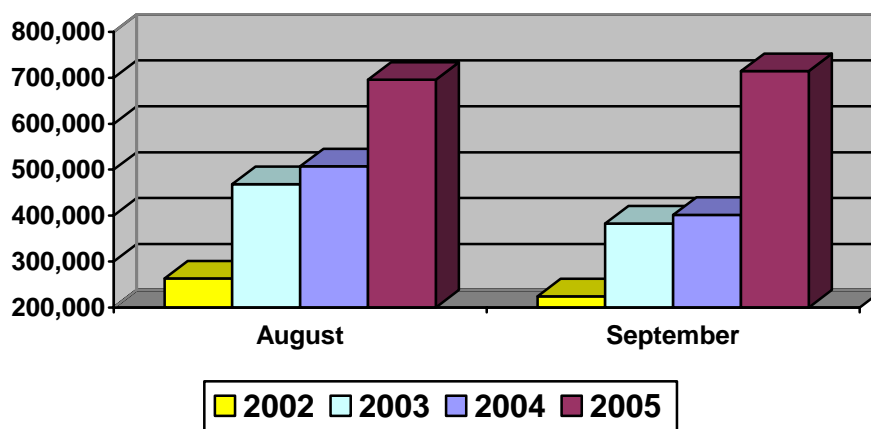
The table below shows COA information the Postal Service collected manually through PS Forms 3575 or 3575EMG for customers in hurricane-affected ZIP Codes. The number of COAs processed from the affected areas almost tripled from September 1 to November 15, 2005, compared to the same period last year.

### **Manual COAs Processed September 1 – November 15, 2005**

<b>Year</b>	<b>COAs processed for customers in hurricane-affected ZIP Codes</b>
2004	200,103
2005	588,152

The graph below shows a trend of the Internet COAs processed for August and September 2002 through 2005. It demonstrates the Postal Service processed more Internet COAs in August than in September for these 3 years. However, for the month of September 2005, Internet COAs increased significantly. In our opinion, the increase in Internet COAs processed during September 2005 is a result of customers displaced in the aftermath of Hurricane Katrina.

### **Internet COAs Processed 2002 - 2005**



The table on the next page shows the statistics collected from August to October 2005 for COAs processed through telephone requests. The total number of changes for September and October were nearly five times the number of changes for August. This

clearly demonstrates a significant increase in the telephone COA workload during the aftermath of Hurricane Katrina.

### **Telephone COAs Processed August – October 2005**

<b>Month</b>	<b>COAs Processed</b>
August 2005	18,218
September 2005	51,364
October 2005	37,854

### **Customer Friendly Activities**

In order to more easily obtain temporary changes of address through the Internet or over the telephone, the Postal Service, in responding to Hurricane Katrina, authorized a waiver of the security requirement for charging a \$1 fee to credit cards. They considered this waiver necessary to respond to the critical situation for the evacuated customers. The Postal Service implemented "compensating controls" in order to help prevent fraud, which included:

- Checking for COAs from customers in hurricane-affected ZIP Codes where there were multiple addresses being changed to a single address.
- Notifying the affected mail carriers they were transferring mail from one of the hurricane-affected ZIP Codes to their current route.
- Asking Postal Service employees, carriers, clerks, and retail associates to be aware of and report suspicious incidents to their supervisors.
- Alerting responsible Postal Service employees to watch more closely for an unusually high volume of mail forwarded from multiple names and/or addresses from the affected area to specific street addresses and post office boxes.

While relaxing the \$1 fee was necessary in order to accomplish what the Postal Service needed to do within the given time constraints, we are concerned about this procedure becoming official. We plan to continue monitoring this area in our application control review of the COA process and will report any additional issues in the subsequent report.

### **Recommendation**

We recommend the senior vice president, Intelligent Mail and Address Quality, coordinate with the vice president, Emergency Preparedness, and other key Postal Service officials to:

1. Identify change of address emergency procedures the Postal Service established during Hurricane Katrina that could be useful in responding to future national disasters.

### **Management's Comments**

Management agreed with our recommendation. Management fully supports an effort to formalize the lessons learned in the aftermath of Hurricane Katrina concerning emergency COA procedures. During discussions subsequent to the formal response, management stated that they plan to have this information documented in formal procedures by October 31, 2006. Management's comments, in their entirety, are included in the appendix of this report.

### **Evaluation of Management's Comments**

Management's comments are responsive to the recommendation. Management's actions taken or planned should correct the issues identified in the finding.

### **Recommendation**

2. Establish a Postal Service-wide steering committee with the authority to declare an emergency for a specific location and ensure the Postal Service takes action to maintain continuity of service during emergencies.

### **Management's Comments**

Management disagreed with our recommendation as stated and offered an alternative approach. Management believes the support team established served a useful purpose for the ad-hoc response required during the hurricane events and that establishing additional structures will duplicate efforts. Management stated that processes are already in place at all levels of the Postal Service for authorities to take emergency measures to ensure continuity of operations for losses of individual or multiple facilities due to man-made or natural disasters. Management has suggested that, in the event of catastrophic events impacting large populations, the Postmaster General, upon the advice of the Executive Committee, could implement emergency COA procedures. During discussions subsequent to the formal response, management stated these committees are already in place and considers this recommendation closed.



### **Evaluation of Management's Comments**

Although management disagreed with the recommendation as stated, we consider the comments acceptable and responsive to the recommendation. Management's actions taken should correct the issues identified in the finding.

### **Recommendation**

We recommend the senior vice president, Intelligent Mail and Address Quality, coordinate with the vice president, Emergency Preparedness, and other key Postal Service officials to:

3. Incorporate the procedures identified in recommendations 1 and 2 into formal policy, such as the Integrated Emergency Management Plan or other policies, to address Postal Service operations regarding change of address emergency situations.

### **Management's Comments**

Management disagreed with our recommendation as stated and offered an alternative approach. Management stated that, given the unique circumstances that arise in large-scale natural disasters, COA procedures may differ for each event. Management suggested incorporating a generic reference into the IEMP that the authority to implement emergency COA procedures resides with the Postmaster General. During discussions subsequent to the formal response, management stated they will complete the updates by November 30, 2006.

### **Evaluation of Management's Comments**

Although management disagreed with the recommendation as stated, we consider the alternatives acceptable and responsive to the recommendation. Management's planned actions should correct the issues identified in the finding.

### **Recommendation**

4. Disseminate these emergency procedures throughout the Postal Service so that managers in affected areas of an emergency will have appropriate authority to timely respond to emergency situations.

### **Management's Comments**

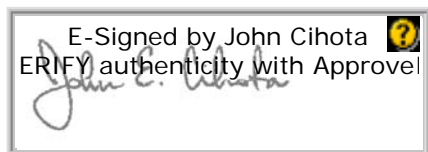
Management disagreed with our recommendation as stated and believes the matter is resolved for the reasons stated in their responses to recommendations 2 and 3. Management stated that there is no reason to give wide-scale dissemination, other than the incorporation of the quoted language proposed for recommendation 2 into the IEMP.

During discussions subsequent to the formal response, management considered this recommendation closed.

**Evaluation of Management’s Comments**

Although management disagreed with the recommendation as stated, we consider the comments responsive to the recommendation. The suggested procedures described relative to recommendation 2 and 3 sufficiently address this matter. Management’s actions taken should correct the issues identified in the finding.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Gary Rippie, director, Information Systems, or me at (703) 248-2300.



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Deputy Assistant Inspector General  
for Financial Operations

Attachment

cc: Lee R. Heath  
Pat A. Mendonca  
Janice E. Caldwell  
Steven R. Phelps

## APPENDIX. MANAGEMENT'S COMMENTS



March 20, 2006

KIM H. STROUD  
DIRECTOR  
AUDIT REPORTING

SUBJECT: National Change of Address—Emergency Preparedness  
(Report Number: IS-AR-06-DRAFT)

Intelligent Mail and Address Quality has reviewed the subject draft audit and concurs with the Office of Inspector General's (OIG) findings. Management substantially agrees with OIG's recommendations; however, we believe that given the scope of the audit, the recommendations are too broad in some areas. We will transmit our comments requesting that portions of the report be withheld from disclosure via separate memorandum.

OIG's Recommendations:

1. Identify change of address emergency procedures the Postal Service established during Hurricane Katrina that could be useful in responding to future national disasters.

Management Response: Agree. Management fully supports an effort to formalize the lessons learned in the aftermath of Hurricane Katrina concerning emergency change of address (COA) procedures.

2. Establish a Postal Service-wide steering committee with the authority to declare an emergency for a specific location and ensure the Postal Service takes action to maintain continuity of service during emergencies.

Management Response: Disagree. This recommendation is too broad and extends beyond the scope of the audit. A support team was established and it served a useful purpose for the ad-hoc response required during the hurricane events, but establishing an additional structure will only duplicate efforts. The current management structure at the local, district, area and headquarters level already has both the authority and responsibility to take emergency measures to ensure continuity of operations. Such authority is exercised on a regular basis, as examples:

1. Loss of individual facilities due to both man-made and natural disasters,
2. Loss of multiple facilities, generally due to natural disasters such as floods, tornadoes, and fires,
3. Loss of multiple facilities on a broad scale due to natural disasters – usually hurricanes.

We understand the scope of the audit was to be confined to only COA procedures during emergencies. We urge that the second recommendation be revised to read as follows: "In the event of catastrophic events impacting large populations, the Postmaster General, upon the advice of the Executive Committee, could implement emergency change of address procedures."

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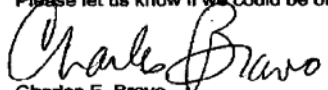
3. Incorporate the procedures identified in recommendations 1 and 2 into formal policy, such as the Integrated Emergency Management Plan or other policies, to address Postal Service operations regarding change of address emergency situations.

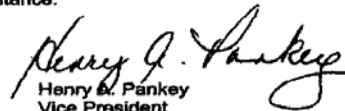
Management Response: Disagree. Given the unique circumstances that will arise in large-scale natural disasters, change of address procedures may differ for each event. Incorporating a detailed version of emergency COA procedures in the IEMP as indicated in this recommendation, may not be practical. Rather, a generic reference that the authority to implement Emergency COA procedures resides with the Postmaster General will be inserted in the IEMP.

4. Disseminate these emergency procedures throughout the Postal Service so that managers in affected areas of an emergency will have appropriate authority to timely respond to emergency situations.

Management Response: Disagree. For the reasons listed in recommendations 2 and 3, there is no reason to give this wide-scale dissemination, other than the incorporation of the quoted language proposed for recommendation #2 into the IEMP.

Please let us know if we could be of any further assistance.

  
Charles E. Bravo  
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Intelligent Mail and Address Quality

  
Henry G. Pankey  
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