



HIGHLIGHTS

BACKGROUND:

The U.S. Postal Service issues three kinds of stamps: (1) Definitives: issued in unlimited quantities in a variety of denominations — remain on sale until rates change; (2) Commemoratives: issued in limited quantities to pay tribute to people and events — remain on sale for about 18 months; and (3) Special Issues: such as the Love and holiday stamps, which supplement definitive stamp stock.

The Postal Service first issued Definitive Forever stamps in 2007 to reduce the number of stamps destroyed due to a rate change. Customers can purchase these non-denominational First-Class Mail[®] stamps at the current rate and use them indefinitely. The Postal Service reduced the number of stamps it prints annually from 29.7 billion (production cost, \$56 million) in fiscal year (FY) 2009 to 21 billion stamps (production cost, \$43 million) in FY 2011.

Our objective was to evaluate whether the Postal Service effectively forecasts stamp stock requirements and manages stamp inventory.

WHAT THE OIG FOUND:

The Postal Service's adoption of the Forever stamp has generally alleviated concerns regarding over-production and destruction of definitive First-Class Mail stamps. However, due to the unique

nature of commemorative and special issue stamps, production volumes require closer management scrutiny. Specifically, we found the Postal Service overproduced 2 billion commemorative and special issue stamps during calendar years 2009 and 2010, resulting in \$2 million of unnecessary manufacturing costs annually for stamps that were later destroyed. This occurred because the Postal Service did not develop and document an objective forecasting methodology and review process to determine stamp stock demand. In addition, reduced visibility in retail units hinders accurate forecasting and inventory management.

WHAT THE OIG RECOMMENDED:

We recommended the Postal Service improve controls over stamp manufacturing, including documentation of procedures to determine stamp stock requirements, and an enhanced review and approval process. We also recommended the Postal Service initially produce these stamps in limited runs and develop and implement a strategy to maximize sales through unique promotional opportunities, given the historical lifecycle of similar commemorative and special issue stamps.