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September 2003

BREAST CANCER RESEARCH STAMP

Effective Fund-Raiser, but Better Reporting and Cost-Recovery Criteria Needed

GAO-03-1021

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Highlights

Highlights of GAO-03-1021, a report to the Chairmen and Ranking Minority Members of the Senate Committee on Governmental Affairs, and the House Committee on Government Reform

Why GAO Did This Study

In America, breast cancer is reported as the second leading cause of cancer deaths among women. Given this statistic, the importance of finding a cure cannot be overemphasized. To supplement the billions of federal dollars being spent on breast cancer research, Congress passed legislation creating the Breast Cancer Research Semipostal (BCRS) to increase public awareness of the disease and allow the public to participate directly in raising funds for such research.

Since the BCRS was the first semipostal issued by the Postal Service, Congress mandated, and GAO issued, a report in April 2000 on the BCRS' cost, effectiveness, and appropriateness as a fund-raiser. After the report, Congress extended the BCRS sales period through 2003. As mandated, this report updates GAO's prior work as Congress considers another extension to the BCRS sales period.

What GAO Recommends

GAO recommends that the Service reexamine and, as necessary, revise its BCRS cost-recovery regulations. Also, should Congress decide to extend the BCRS sales period, GAO suggests that Congress consider establishing annual reporting requirements for the National Institutes of Health (NIH) and the Department of Defense (DOD). In commenting on a draft of this report, the Service said it would reexamine its BCRS cost-recovery regulations.

www.gao.gov/cgi-bin/getrpt?GAO-03-1021.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Bernard L. Ungar on (202) 512-2834 or at ungarb@gao.gov.

What GAO Found

Although the U.S. Postal Service (the Service) has not tracked or estimated all costs associated with the BCRS program, it reported that the bulk of BCRS costs, from inception through May 16, 2003, were about $9.5 million. In April 2000, GAO recommended that the Service issue BCRS cost-recovery regulations and make available cost data and analyses to provide postal ratepayers assurance they were not involuntarily subsidizing BCRS costs. The Service issued regulations in July 2000, but it has not yet submitted the recommended data and analyses to Congress. Service officials attributed the lack of providing Congress with this information to administrative oversight and other factors, but said they would provide Congress with this information as soon as practicable. In 2001, the Service amended its BCRS regulations stating that cost-recovery determinations would be made using baseline costs for comparable commemorative stamps. GAO, however, is concerned that the regulations can be interpreted as not requiring the Service to provide for baseline comparisons for certain BCRS costs, e.g., printing, sales, and distribution, although the Stamp Out Breast Cancer Act states that reasonable costs attributable to the BCRS in these areas should be recouped. The Service has not established baseline costs for these categories. Without these baselines, the Service lacks assurance that it is identifying and recouping excess costs from BCRS surcharge revenue.

The BCRS continues to be an effective means of raising funds for breast cancer research. Sales have fluctuated, but the BCRS has raised over $30 million for research since it was issued in July 1998. NIH and DOD—recipients of research funds generated by the BCRS—are not subject to the same statutory reporting requirements as agencies that are to receive funds generated by semipostals issued under the Semipostal Authorization Act. Such agencies are required to submit an annual report to Congress on the amount of funds received, how the funds were used, and accomplishments.

The public and key stakeholders GAO spoke with believe it is appropriate for the Service to issue semipostals.

Breast Cancer Research Semipostal

Source: U.S. Postal Service.

Contents

Letter

1

Results in Brief 4
Background 6
Reported Monetary and Other Resources Devoted to the BCRS Program 12
Effectiveness of the BCRS as a Fund-Raiser 22
Appropriateness of Using Semipostals as a Means of Fund-Raising 31
Conclusions 34
Matter for Congressional Consideration 36
Recommendations for Executive Action 36
Agency Comments and Our Evaluation 36

Appendixes

Appendix I: Objectives, Scope, and Methodology 38

Appendix II: National Institutes of Health Breast Cancer Research Awards Funded with Proceeds from the BCRS' Surcharge Revenue 45

Appendix III: Department of Defense Breast Cancer Research Awards Funded with Proceeds from the BCRS' Surcharge Revenue 48

Appendix IV: Comments from the U.S. Postal Service 49

Appendix V: Contact and Staff Acknowledgments 51

GAO Contact 51
Acknowledgments 51

Tables

Table 1: Cost of Operating and Administering the BCRS Program, from Inception through May 16, 2003, as Reported by the Service 13
Table 2: BCRS Costs through May 16, 2003, and the Allocation of Those Costs between the First-Class Postage Rate and the BCRS' Surcharge Revenue 15
Table 3: Transfers Made to NIH and DOD for Breast Cancer Research 30
Table 4: NIH/NCI Breast Cancer Research Awards Funded with Proceeds, as of April 2003, from BCRS Sales 45
Table 5: DOD Breast Cancer Research Awards Funded with Proceeds, as of April 2003, from BCRS Sales 48

Figures

Figure 1: Reproduction of the Breast Cancer Research Semipostal 9
Figure 2: Reproduction of the Heroes of 2001 Semipostal 10
Figure 3: Reproduction of the Stop Family Violence Semipostal 11
Figure 4: Various Postal Service Sources for Purchasing the BCRS 23
Figure 5: Number of BCRS and Heroes Semipostals Sold by Postal Quarter 25

Abbreviations

ASM	Administrative Support Manual
CPS	Current Population Survey
BCRS	Breast Cancer Research Semipostal
DOD	Department of Defense
ICR	International Communications Research
NBCC	National Breast Cancer Coalition
NCI	National Cancer Institute
NIH	National Institutes of Health
PQ	Postal Quarter
RDD	Random Digit Dial

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G A O
Accountability * Integrity * Reliability

United States General Accounting Office
Washington, D.C. 20548

September 30, 2003

The Honorable Susan M. Collins
Chairman
The Honorable Joseph I. Lieberman
Ranking Minority Member
Committee on Governmental Affairs
United States Senate

The Honorable Thomas M. Davis
Chairman
The Honorable Henry A. Waxman
Ranking Minority Member
Committee on Government Reform
House of Representatives

In the United States, breast cancer is reported as the second leading cause of cancer deaths among women. There are more than 2 million women today in the United States who have been diagnosed with breast cancer, and it has been reported that another 1 million women do not know they have it. Annually, nearly $7 billion is spent on the treatment of breast cancer. Given these statistics, the importance of research to find a cure for breast cancer cannot be over emphasized. In the past 5 years alone, the federal government has spent about $3 billion on breast cancer research. To supplement these federal dollars, Congress passed legislation creating the Breast Cancer Research Semipostal (BCRS) to increase public awareness of the disease and allow the public to participate directly in raising funds for such research.[1]

This report, mandated by Congress, is a follow-up to our April 2000 report on the Postal Service's Breast Cancer Research Semipostal.[2] The Stamp Out Breast Cancer Act, Public Law 105-41, August 13, 1997, mandated our 2000 report. The act required that we issue a report to Congress on the BCRS's effectiveness and appropriateness and the U.S. Postal Service's (the Service) costs associated with carrying out the act. In general, we reported

[1]A semipostal is a stamp sold at a surcharge over postal value. The additional charge is for a special purpose, such as for breast cancer research.

[2]U.S. General Accounting Office, *Breast Cancer Research Stamp: Millions Raised for Research, but Better Cost Recovery Criteria Needed,* GAO/GGD-00-80 (Washington, D.C.: Apr. 28, 2000).

that the BCRS had been an effective fund-raiser, and most of the public and key stakeholders viewed the BCRS as an appropriate way of raising funds for a nonpostal purpose. We expressed some concerns, however, about the Service's identification and recovery of costs associated with carrying out the act.

Soon after we issued our April 2000 BCRS report, Congress enacted the Semipostal Authorization Act, Public Law 106-253, dated July 28, 2000. Among other things, the act requires that we update Congress on the BCRS and address at least the same matters we addressed in our earlier report. This report responds to that mandate and addresses

- the monetary and other resources the Service has expended in operating and administering the BCRS program,
- the effectiveness of using the BCRS as a means of fund-raising, and
- the appropriateness of using the BCRS as a means of fund-raising.

We also provide information on the status of recommendations made to the Postmaster General in our April 2000 BCRS report. In essence, we recommended that the Service issue regulations formalizing its criteria for making BCRS cost-recovery decisions and make BCRS cost data and analyses available to assure postal ratepayers that they were not involuntarily contributing funds to breast cancer research.

The BCRS was the first semipostal ever issued by the Postal Service. It currently sells for 45 cents, and is valid for the 37-cent, First-Class postage rate, leaving 8 cents as surcharge revenue. The Stamp Out Breast Cancer Act provides that the Service is to deduct from the surcharge revenue its reasonable costs incurred in carrying out the act. In general, the Service has interpreted reasonable costs to mean costs incurred that are over and above the costs normally incurred with a comparable commemorative stamp.[3] After deducting its reasonable costs, the Service is to remit the remaining proceeds from the BCRS surcharge revenue to the National Institutes of Health (NIH) and the Department of Defense (DOD) for breast

[3]A commemorative stamp is a postage stamp that depicts the cultural and historical heritage of the United States; e.g., important people, events, places, or special subjects of national appeal or significance.

cancer research. Seventy percent of the net proceeds go to NIH, with the remaining 30 percent going to DOD's medical research program.

The use of semipostals to raise funds for specific purposes is on the rise. Since our April 2000 BCRS report, Congress has twice extended the sales period for the BCRS, required the introduction of two more semipostals, and given the Service specific authority to consider and issue future semipostals.[4] Additionally, as of August 2003, Congress was considering legislation that would require introduction of two more semipostals and extend the sales period of the BCRS past its scheduled end date of December 31, 2003.[5]

In doing this work, we reviewed and updated the information included in our April 2000 BCRS report to reflect the current situation. For this report, we mainly focused on the Service's efforts to identify and recoup its reasonable costs from the BCRS surcharge revenue and ensure that postal ratepayers were not subsidizing the BCRS. We also identified postal staff resources devoted to the BCRS and interviewed key stakeholders regarding the effectiveness and appropriateness of using the BCRS as a means of fund raising. Additionally, we commissioned a survey to obtain the public's opinion regarding the BCRS, and semipostals in general; and we interviewed NIH and DOD officials about how funds generated from BCRS sales are being used for breast cancer research. Finally, we researched the U.S. Code and Postal Service regulations to identify changes that have occurred since our April 2000 report that either affected the BCRS directly or the semipostal program in general. Appendix I contains more information on our objectives, scope, and methodology.

We requested comments on a draft of this report from the Postmaster General. The Service's comments are discussed at the end of this letter and reprinted in appendix IV.

[4]The Heroes of 2001 semipostal was introduced June 7, 2002; and the Stop Family Violence semipostal is to be introduced no later than January 1, 2004.

[5]The semipostals currently under consideration are to help promote childhood literacy and the Peace Corps.

Results in Brief

Although the full cost of the BCRS program is not known, the Service reported that the bulk of BCRS costs from inception through May 16, 2003, were about $9.5 million. The Service does not track BCRS costs that it considers to be inconsequential, such as invoices less than $3,000.[6] The Service also does not identify costs that it would have incurred whether or not the BCRS program had been established, such as overhead. Additionally, the Service reported that no staff have been hired because of the BCRS program, nor have any staff been dedicated to work full-time on the program. The Service also reported that $8.7 million of the $9.5 million in BCRS costs were recovered through the First-Class postage portion of the BCRS. The remaining $853,000 in BCRS costs was recouped from the BCRS' surcharge revenue, and the net surcharge revenue—over $30 million—was to be used to fund breast cancer research. In response to a recommendation we made in our April 2000 BCRS report, the Service issued BCRS regulations in July 2000. Those regulations specified that the Service was to recover incremental costs from the BCRS' surcharge revenue. The Service amended those regulations in 2001, stating generally that the Service would recover from the BCRS' surcharge revenue costs in excess of those normally incurred with comparable commemorative stamps, i.e., baseline costs. We are concerned, however, that the regulations can be interpreted as not requiring the Service to establish baseline comparisons for certain BCRS costs, e.g., printing, sales, and distribution, although the Stamp Out Breast Cancer Act specifically states that reasonable costs in these areas attributable to the BCRS should be recouped from the surcharge revenue. The Service believes its 2001 amendments to its regulations already provide a means for recovering all excess costs. To support its view, the Service provided us with the printing costs for various commemorative stamps. However, the Service did not provide us with any baseline BCRS cost data. Without baselines, the Service lacks assurance that it is identifying and recouping excess costs from BCRS surcharge revenue. Additionally, in our April 2000 report, we recommended that the Service provide Congress with the BCRS cost data and analyses necessary to provide assurance that postal ratepayers are not involuntarily contributing funds to breast cancer research. Although the Service committed to Congress to provide it with the data and analyses, the Service has not yet done so. Service officials attributed the lack of

[6]An example of such a cost could be a local event that a post office participates in or hosts within its community to support sales of the BCRS. This could include events tied to walk-a-thons, marathons, races, breast cancer awareness month, mammogram screening awareness programs, etc.

providing Congress with this information to administrative oversight and other factors. Service officials told us that they plan to reexamine their BCRS regulations and provide Congress with current BCRS cost data and analyses as soon as practicable.

The BCRS continues to be an effective means of raising funds for breast cancer research. Also, as provided for by the Stamp Out Breast Cancer Act, the BCRS has remained voluntary and convenient. It has remained voluntary because postal patrons have the option to purchase the BCRS at 45 cents or a regular First-Class stamp at 37 cents. The BCRS has remained convenient for most of the public, according to our survey. Sales have fluctuated, but the BCRS has raised over $30 million for breast cancer research, net of costs, since it was issued in July 1998. Key stakeholders said that for the most part, they viewed the BCRS as an effective fund-raiser, and the public's view of the BCRS was generally positive as reflected in the results from our survey. As of September 2003, the Service had transferred to NIH and DOD about $30.8 million from funds raised by the BCRS for breast cancer research. These federal organizations reported to us that they have established programs to fund innovative breast cancer research conducted by various research institutions. The Semipostal Authorization Act, enacted after the Stamp Out Breast Cancer Act, requires that annual reports be made to Congress by agencies that are to receive funds from semipostals issued under the Semipostal Authorization Act. These reports are to include information on the amount of funds received, how the funds were used, and any accomplishments that were achieved. NIH and DOD are not subject to similar reporting requirements.

Most key stakeholders we spoke with and, according to our survey, the members of the public believe it is appropriate for the Service to issue the BCRS, as well as other semipostals, to raise funds for worthwhile causes. The Service, although very supportive of the BCRS, remains generally opposed to the concept of using semipostals as a means of fund-raising. Since we issued our April 2000 BCRS report, Congress has (1) twice extended the sales period for the BCRS, (2) authorized two additional semipostals, and (3) authorized the Service to issue future semipostals. Also, as of August 2003, Congress was considering legislation establishing two more semipostals and extending the sales period for the BCRS until December 31, 2005. As of August 2003, the Service had not issued any semipostals of its own choosing under the authority of the Semipostal Authorization Act and had no plans to do so until the sales periods for congressionally mandated semipostals have ended. We believe this position

is consistent with the discretion afforded the Service under the Semipostal Authorization Act.

We are offering one matter for Congress to consider as it debates whether to further extend the sales period for the BCRS. If Congress extends the BCRS sales period, it may wish to consider establishing annual reporting requirements for NIH and DOD similar to those required of any agency that was to receive funds generated from semipostals issued under the Semipostal Authorization Act. We reaffirm our previous recommendation that the Service make available BCRS cost data and analyses, and we also recommend that the Service reexamine and, as necessary, revise its cost-recovery regulations.

In commenting on a draft of this report, the Service indicated that it plans to take appropriate actions to address our recommendations. The Service said that it would reexamine its BCRS regulations with a view toward proposing revisions about what costs are to be identified and recouped from surcharge revenues. The Service also said that it would make available to Congress and us current BCRS cost data and analyses.

Background

The Stamp Out Breast Cancer Act (Pub. L. No. 105-41, Aug. 13, 1997) required that the Postal Service issue its first-ever semipostal—the BCRS. The Service issued the BCRS on July 29, 1998. The act required that the BCRS be available for sale for 2 years, but Congress has since extended the sales period through December 31, 2003.

Semipostals are stamps sold with a surcharge above the First-Class postage rate with the net surcharge amount going to a designated cause. The act stipulated that the BCRS surcharge was not to exceed 25 percent of the First-Class postage rate, which, at the time of issuance, was 32 cents. The act further stipulated that after recovering its reasonable costs, the Service was to transfer 70 percent of the remaining surcharge revenue to NIH and 30 percent to DOD for breast cancer research. The Service's presidentially appointed governors initially set the price of the BCRS at 40 cents—32 cents for First-Class postage plus the maximum 25-percent surcharge of

8 cents. Since that time, the price of First-Class postage has increased to 37 cents, and the price of the BCRS is currently 45 cents.[7]

On the day the initial sales period for the BCRS was to end, the Semipostal Authorization Act (Pub. L. No. 106-253, July 28, 2000) was enacted, which extended the sales period for the BCRS through July 29, 2002, and granted the Service authority to issue future semipostals of its own choosing. Additionally, the act required that the Service issue regulations governing future semipostals aside from the BCRS.

Another act, the Breast Cancer Research Stamp Act of 2001 (Pub. L. 107-67, Nov. 12, 2001) further extended the sales period for the BCRS and established new requirements governing the sales price of the BCRS.[8] That act extended the BCRS' sales period through December 31, 2003, and replaced the maximum 25 percent surcharge with a minimum 15 percent surcharge that, when added to the First-Class postage rate, is evenly divisible by five. That is, the BCRS must be sold for an amount evenly divisible by five and must cost at least 15 percent more than First-Class postage. Specifically, the BCRS is currently sold for 45 cents, which is evenly divisible by 5; with the 8-cent surcharge, it costs about 22 percent more than the 37-cent First-Class postage rate. Additional legislation is currently pending that would extend the sales period for the BCRS through December 31, 2005.

[7]The postage rate for letters up to 1 ounce sent by First-Class Mail increased to 33 cents on January 10, 1999; to 34 cents on January 7, 2001; and to the current 37 cents on June 30, 2002. The BCRS was sold for 40 cents until March 23, 2002, when its sales price was increased to its current price of 45 cents.

[8]The Breast Cancer Research Stamp Act of 2001 was included as part of the Treasury and General Government Appropriations Act of 2002 (Pub. L. No. 107-67, Nov. 12, 2001).

Since the BCRS was issued in 1998, Congress has passed legislation establishing two additional semipostals. One semipostal is to provide assistance to the families of emergency relief personnel killed or permanently disabled in the line of duty in connection with the terrorist attacks against the United States on September 11, 2001—commonly referred to as the Heroes of 2001 semipostal. The Service began selling the Heroes of 2001 semipostal on June 7, 2002, and its sales are scheduled to end no later than December 31, 2004, in accordance with the semipostal's authorizing legislation.[9] The other semipostal—commonly referred to as the Stop Family Violence semipostal—is to help fund domestic violence programs. Legislation requiring introduction of the Stop Family Violence semipostal specifies that sales are to begin no later than January 1, 2004, and end no later than December 31, 2006.[10] Legislation was also pending in Congress at the end of August 2003 to establish semipostals to help promote childhood literacy and the Peace Corps.[11] As of August 2003, the Service had issued no semipostals that had not been congressionally mandated.

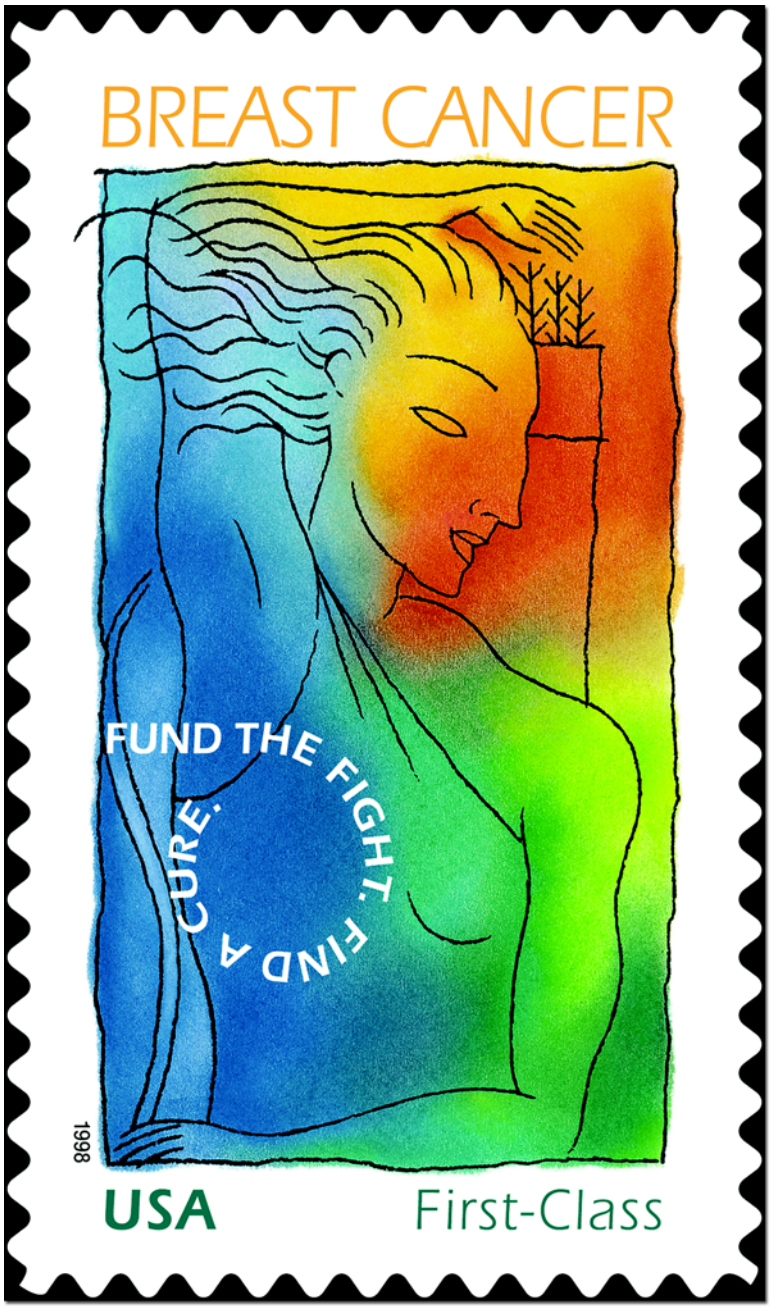
Images of the BCRS, Heroes of 2001, and Stop Family Violence semipostals are reproduced as figures 1, 2, and 3, respectively. The Service plans to begin selling the Stop Family Violence semipostal in November 2003.

[9]The 9/11 Heroes Stamp Act of 2001 was included as part of the Treasury and General Government Appropriations Act of 2002 (Pub. L. No. 107-67, Nov. 12, 2001).

[10]The Stamp Out Domestic Violence Act of 2001 was included as part of the Treasury and General Government Appropriations Act of 2002 (Pub. L. No. 107-67, Nov. 12, 2001).

[11]Legislation to establish a semipostal to help promote childhood literacy was introduced in the House of Representatives on January 7, 2003 (H.R. 126) and legislation to establish a semipostal to benefit the Peace Corps was introduced in the House on June 5, 2003 (H.R. 2371).

Figure 1: Reproduction of the Breast Cancer Research Semipostal



Source: U.S. Postal Service.

Figure 2: Reproduction of the Heroes of 2001 Semipostal

Source: U.S. Postal Service.

Figure 3: Reproduction of the Stop Family Violence Semipostal

Source: U.S. Postal Service.

For more details about the BCRS and its background, see our April 2000 BCRS report.[12] That report also includes information on semipostals issued by foreign postal administrations.

Reported Monetary and Other Resources Devoted to the BCRS Program

The full cost of the BCRS program is not known. The Service reported that the bulk of BCRS costs from inception through May 16, 2003, were about $9.5 million, most of which were recovered through the First-Class postage portion of the BCRS. The Service does not track BCRS costs that it considers to be inconsequential, such as invoices less than $3,000. The Service also does not identify costs that it would have incurred whether or not the BCRS program had been established, such as overhead. Additionally, the Service reported that no staff have been hired because of the BCRS program, nor have any staff been dedicated to work full-time on the program.

In response to a recommendation in our April 2000 BCRS report, the Service issued BCRS cost-recovery regulations in July 2000 and reported using these regulations, and amendments, to track and allocate BCRS costs. We are concerned, however, that the regulations can be interpreted as not requiring the Service to provide baseline comparisons for certain BCRS costs, e.g., printing, sales, and distribution, although the Stamp Out Breast Cancer Act specifically states that reasonable costs in these areas attributable to the BCRS should be recouped from the BCRS' surcharge revenue. Additionally, in our April 2000 report, we recommended that the Service make available to Congress the BCRS cost data and analyses necessary to provide assurance that postal ratepayers are not involuntarily contributing funds to breast cancer research. Although the Service committed to Congress to provide it with the data and analyses, Service officials told us that for a number of reasons the Service has not yet done so. In August 2003, Service officials said that they plan to reexamine their BCRS regulations and, as soon as practicable, provide Congress with current BCRS data and analyses.

Full BCRS Program Costs Unknown

Although the full cost of the BCRS program is not known, the Service reported that the bulk of the program's costs, from inception through May 16, 2003, were about $9.5 million. These costs do not include (1) direct

[12] GAO/GGD-00-80.

costs for items the Service considers to be inconsequential, such as the cost of items that do not exceed $3,000 per invoice and (2) indirect costs that the Service would have incurred whether or not the BCRS program had been established, such as overhead. Additionally, the $9.5 million does not include any staffing-related costs because, according to postal officials, no staff were hired for the BCRS program nor were any staff dedicated full-time to work on the program. These officials told us that all work associated with the BCRS was absorbed by existing staff and staff budget—i.e., the Service incurred no additional staffing-related expenses because of the BCRS. They also told us that the Service, with the exception of the law department, has not tracked staff hours devoted to the BCRS because it was not cost-effective to quantify and recoup inconsequential costs associated with the BCRS. Because all costs associated with the BCRS were not identified and tracked, the full cost of operating and administering the BCRS program is not known.

The reported costs of the BCRS through May 16, 2003, are shown in table 1, broken down by type of cost. In addition to these costs, the Service could incur additional costs associated with the BCRS before its sales period ends, which is currently scheduled for December 31, 2003.

Table 1: Cost of Operating and Administering the BCRS Program, from Inception through May 16, 2003, as Reported by the Service

Cost item	Reported cost
Stamp design (including market research)	$40,000
Stamp production and printing	$3,597,000
Shipping and distribution	$0[a]
Training	$612,000
Selling stamps (including employee salaries and benefits)	$0[b]
Withdrawing stamps from sale	$0[c]
Destroying unsold stamps	$0[c]
Advertising	$888,000
Packaging stamps	$2,723,000
Printing flyers and special receipts	$238,000
Equipment changes	$359,000
Developing and executing marketing and promotional plans	$1,006,000

(Continued From Previous Page)

Cost item	Reported cost
Other cost:	
Legal	$22,000
Market research	$56,000
Consulting	$8,000
Total	**$9,549,000**

Source: U.S. Postal Service.

[a]The Service said that it does not attempt to identify these costs because shipping and distribution costs incurred for a semiposal are no different from those normally incurred for comparable stamps.

[b]The Service said that it currently does not have a system in place to track these costs. According to the Service, it would be extraordinarily difficult and costly to attempt to study, analyze, and measure these costs in a live environment; and it also would be difficult to devise a methodology to estimate such costs because BCRS' are a small percentage of total stamp sales.

[c]The Service said that it believes these costs would be the same as those incurred for comparable stamps, but it has not yet incurred any costs associated with withdrawing stamps from sale or destroying unsold stamps because the BCRS continues to be offered to the public.

Allocation of BCRS Program Costs between the Postage Portion and Surcharge Revenue

Under the cost-recovery regulations the Service applies to the BCRS, the Service determined that $8.7 million, about 91 percent, of the $9.5 million in BCRS costs were recovered through the First-Class postage rate. The Service also determined that the remaining $853,000 in costs were not those normally incurred with a comparable commemorative stamp and therefore were recovered through the BCRS' surcharge revenue. That is, about 9 percent of BCRS program costs were recovered through the surcharge revenue. Table 2 identifies, by cost item, the Service's reported cost of operating and administering the BCRS program, from inception through May 16, 2003; and the allocation of those costs between those covered by the First-Class postage rate and costs that were recouped from the BCRS' surcharge revenue.[13]

[13]The Service recast the BCRS costs that we had included in our April 2000 BCRS report using its current cost recovery criteria. Our April 2000 report included BCRS costs from inception through December 31, 1999. Recasting the data did not change the total BCRS costs we reported through December 31, 1999, nor did it change the total costs we reported as being recouped from the BCRS' surcharge revenue. It did, however, result in the renaming and regrouping of some individual cost items that we previously reported.

Table 2: BCRS Costs through May 16, 2003, and the Allocation of Those Costs between the First-Class Postage Rate and the BCRS' Surcharge Revenue

		Allocation of reported cost	
Cost item[a]	**Reported cost**	**Amount reported as having been covered by the First-Class postage rate**	**Amount reported as recouped from the BCRS' surcharge revenue**
Stamp design (including market research)	$40,000	$40,000	$0
Stamp production and printing	$3,597,000	$3,597,000	$0
Shipping and distribution	$0[b]	$0[b]	$0[b]
Training	$612,000	$612,000	$0
Selling stamps (including employee salaries and benefits)	$0[c]	$0[c]	$0[c]
Withdrawing stamps from sale	$0[d]	$0[d]	$0[d]
Destroying unsold stamps	$0[d]	$0[d]	$0[d]
Advertising	$888,000	$888,000	$0
Packaging stamps	$2,723,000	$2,476,000	$247,000
Printing flyers and special receipts	$238,000	$0	$238,000[e]
Equipment changes	$359,000	$176,000	$183,000
Developing and executing marketing and promotional plans	$1,006,000	$851,000	$155,000
Other costs:			
Legal	$22,000	$0	$22,000
Market research	$56,000	$56,000	$0
Consulting	$8,000	$0	$8,000
Total	**$9,549,000**	**$8,696,000**	**$853,000**

Source: U.S. Postal Service.

[a]The Service recast BCRS costs included in our April 2000 BCRS report into the current cost item categories and updated costs through May 16, 2003.

[b]The Service said that it does not attempt to identify these costs because shipping and distribution costs incurred for a semiposal are no different than those normally incurred for comparable stamps.

[c]The Service said that it currently does not have a system in place to track these costs. According to the Service, it would be extraordinarily difficult and costly to attempt to study, analyze, and measure these costs in a live environment; and it also would be difficult to devise a methodology to estimate such costs because BCRS' are a small percentage of total stamp sales.

[d]The Service said that it believes these costs would be the same as those incurred for comparable stamps, but it has not yet incurred any costs associated with withdrawing stamps from sale or destroying unsold stamps because the BCRS continues to be offered to the public.

[e]The Service said that receipts initially used were in a format different from standard postal receipts, and the costs were recouped from the BCRS' surcharge revenue. However, according to the Service, receipts now used are universally supplied to all offices for general use, and the printing cost is not considered incremental. Therefore, costs associated with receipts are no longer recouped from the BCRS' surcharge revenue.

Service's Approach to Cost Recovery Has Evolved

In response to a recommendation in our April 2000 BCRS report, the Service issued BCRS cost-recovery regulations in July 2000, which it subsequently amended in 2001. At the time of our April 2000 report, the Service was using informal, evolving criteria to make decisions about which costs would be recouped from the BCRS' surcharge revenue and had not issued regulations in this area. In July 2000, the Service issued a revision to its *Administrative Support Manual (ASM)* that specified a "Cost Recovery Policy for the Breast Cancer Research Semipostal Stamp." The *ASM* provisions, which are viewed by the Service as part of its regulations, specified that the Service was to recover BCRS costs that are determined to be incremental costs from its surcharge revenue.[14] The regulations described some types of costs that the Service had determined to be incremental to the BCRS. Examples of such costs included (1) design and production costs in excess of the cost to produce equivalent stamps; (2) packaging costs in excess of the cost to package equivalent stamps; and (3) printing costs for items other than stamps that are specific to the BCRS, such as flyers and special receipts.

In June 2001, the Service published in the Federal Register its regulations covering semipostals issued under the Semipostal Authorization Act. Among those regulations was 39 C.F.R. 551.8, which established procedures for determining costs to be offset from semipostal differential revenue. On December 27, 2001, the Postal Service published a similar version of this regulation in section 645 of the *ASM*. The *ASM* regulations were made applicable to semipostals issued under the Semipostal Authorization Act, as well as the BCRS. The December 2001 revision to the *ASM* (hereafter referred to as regulations) no longer refer to "incremental costs," as was done in the July 2000 version. The December 2001 regulations state that the Service is to recover BCRS costs that are determined to be in excess of the costs normally incurred for commemorative stamps having similar sales; physical characteristics; and marketing, promotional, and public relations activities. These regulations prescribe that on the basis of judgment and available information, the Service is to identify stamp(s) comparable with the BCRS and create a profile of selected cost characteristics, thereby establishing a baseline for

[14]Under 39 C.F.R. 211.2, the Service states that the regulations of the Service include the *ASM*. Accordingly, hereafter, we will refer to the *ASM* provisions as Postal Service regulations.

cost comparison purposes.[15] According to the regulations, BCRS costs that exceed the baseline costs for comparable commemorative stamps are to be recovered from the BCRS' surcharge revenue. In May 2003, we asked the Service to provide us the baseline costs for the comparable stamps being used to determine what costs are to be recovered from the BCRS' surcharge revenue. In July 2003, the Service provided us with what it referred to as costs above comparable stamp costs that were recouped from the BCRS' surcharge revenue and updated that information in August 2003. However, the Service did not provide us with the actual baselines used in making the determinations about which costs were to be recouped from the BCRS' surcharge revenue.

The Service's December 2001 regulations provide guidance regarding its BCRS cost-recovery criteria. The regulations state that cost items recoverable from the BCRS' surcharge revenue may include, but are not limited to, the following:

- packaging costs in excess of the cost to package comparable stamps,
- printing costs of flyers and special receipts,
- costs of changes to equipment,
- costs of developing and executing marketing and promotional plans in excess of the cost for comparable stamps, and
- other costs specific to the BCRS that would not normally have been incurred for comparable stamps.

In addition, the Service's regulations state that BCRS costs that meet the following criteria will not be tracked:

- costs that the Service determines to be inconsequentially small, which include those cost items not exceeding $3,000 per invoice;

[15]In implementing its regulations, the Service reported that it had identified the BCRS' comparable stamps as the commemorative stamp issues featuring the images of Warner Brothers characters issued in 1997, 1998, and 1999. These stamp issues included the images of Bugs Bunny (first issued in 1997), Sylvester and Tweety (1998), and Daffy Duck (1999).

- costs for which the cost of tracking would be burdensome (e.g., costs for which the cost of tracking exceeds the cost to be tracked);
- costs attributable to mail to which the BCRS is affixed (i.e., costs that are attributable to the appropriate class and/or subclass of mail); and
- administrative and support costs that the Service would have incurred whether or not the BCRS program had been established.

The regulations further identify the following BCRS costs—those the Service would normally incur for comparable stamps—as recovered through the First-Class postage portion of the BCRS stamp price. Therefore, baselines have not been established for these costs, which are as follows:

- stamp design (including market research);
- stamp production and printing;
- stamp shipping and distribution;
- estimated training for field staff, except for special training associated with semipostals;
- stamp sales (including employee salaries and benefits);
- withdrawal of the stamp issue from sale;
- destruction of unsold stamps; and
- incorporation of semipostal images into advertising for the Postal Service as an entity.

BCRS Cost-Recovery Regulations May Not Allow the Service to Identify and Recoup All Costs Attributable to the BCRS

The Stamp Out Breast Cancer Act specifically recognizes that printing, sales, and distribution costs attributable to the BCRS are among the types of reasonable costs the Service should recover from the BCRS' surcharge revenue. Section 414 (c) (2) of the act states that the Service must recover from the BCRS' surcharge revenue "an amount sufficient to cover reasonable costs . . . in carrying out this section, including those attributable to the printing, sale, and distribution of stamps under this section." The Service has determined, and we have no basis to challenge its

discretion in this regard, that "reasonable costs" are costs in excess of those normally incurred for a comparable stamp. However, we are concerned that the regulations the Service issued to implement this requirement can be interpreted as not requiring the Service to provide baseline comparisons for certain BCRS costs, e.g., printing, sales, and distribution, although the Stamp Out Breast Cancer Act specifically states that reasonable costs in these areas attributable to the BCRS should be recouped from the BCRS' surcharge revenue. Our concerns with the regulations include the following:

BCRS printing costs: The Service's December 2001 regulations can be interpreted as not requiring baseline comparisons for BCRS printing costs. The regulations could be interpreted to mean that all BCRS printing costs are covered by the First-Class postage portion and comparisons with baseline costs are not necessary. This interpretation is supported by the fact that, as of August 2003, the Service had not established a baseline cost for comparable stamps against which to compare BCRS printing costs. The Service did, however, provide information showing that the BCRS' printing costs between 1998 and 2003 ranged from $3.35 per thousand stamps to $7.39 per thousand. The Service also provided information on printing costs for the three stamps that it considers comparable with the BCRS. The printing costs for these three stamps ranged from $11.52 per thousand in 1999 to $14.34 per thousand in 1997. Additionally, the Service provided printing costs for various commemorative stamps in 1998 through 2002. That information would tend to support the view that printing costs for the BCRS have not exceeded the printing costs for other commemoratives. Nevertheless, the Service did not establish a baseline for making BCRS printing cost comparisons. Therefore, the Service has not demonstrated that its regulations establish an adequate process for ensuring that excess semipostal costs are identified and recouped from surcharge revenues. Following its regulations, the Service reported that it did not recoup from the BCRS' surcharge revenue any of the $3,597,000 it incurred in BCRS printing costs. Without a comparison between actual BCRS printing costs and the baseline printing costs for comparable stamps, the Service lacks assurance that it is identifying and recouping excess costs from BCRS surcharge revenue.

BCRS sales costs: The Service's December 2001 regulations can be interpreted as not requiring baseline comparisons for BCRS sales costs. The regulations can be interpreted to mean that all BCRS sales costs are covered by the First-Class postage portion and comparisons with baseline costs are not necessary. As of August 2003, the Service had not established

a baseline cost for comparable stamps against which to compare BCRS sales costs. Unlike BCRS printing costs, the Service reported that it did not track BCRS sales costs because they were "minimal," but it was unable to provide documentation supporting this position. The Service has reported that the BCRS was available for sale at over 27,000 post offices across the country, where salaries and benefits for its clerks average about $30 per hour. Service officials told us that no staff were hired for the BCRS program nor were any staff dedicated full-time to work on the program. However, the Service commented in July 2003 that each semipostal generates sales costs that it would not incur for commemorative stamps, such as time spent responding to customer questions about the fund-raising involved. In addition, the Service has reported that stamp sales costs are 24 cents per dollar for stamps sold at the window, compared with 14 cents for stamps sold at vending machines. However, the Service has more recently taken the position that stamp sales costs are substantially less than previously calculated. In September 2003, the Service was in the process of reviewing its stamp sales costs, but revised stamp sales figures were not yet available. Therefore, it is unclear whether the Service has incurred sales costs for the BCRS that are greater than those incurred for comparable commemorative stamps. Without a comparison between actual or estimated BCRS sales costs and the baseline sales costs for comparable stamps, the Service lacks assurance that it is identifying and recouping excess costs from surcharge revenue.

In addition to these examples, we have similar concerns regarding other BCRS costs that are being handled in a manner similar to that described for BCRS printing, as well as sales. These other costs include stamp design, shipping, and distribution; estimated training for field staff, except for special training associated with the BCRS; withdrawal of the stamp issue from sale; destruction of unsold stamps; and incorporation of BCRS images into advertising for the Postal Service as an entity.

We discussed our concerns about the Service's cost-recovery regulations and their impact with Service officials, especially in light of statements made by Service officials in June 2001 that the issuance of multiple semipostals at the same time could significantly increase the administrative burden on the Service and ultimately burden existing staff and limited resources. Service officials said that their overriding concern in developing the cost-recovery regulations was to avoid having to establish cost-tracking systems that would cost more to develop and implement than the surcharge revenue to be collected from semipostals, including the BCRS. We pointed out that the Service already performs a number of cost-related

studies that could possibly be used or modified to capture or estimate incremental semipostal costs, or that new approaches to capture or estimate such information might be possible and not be cost prohibitive. Service officials also said that in developing the regulations, they had not intended to preclude the Service from recovering excess costs in the printing, sales, and distribution categories, and they believe they can do so under the existing regulations. However, we remain concerned that the regulatory provisions do not require the Service to do so. In fact, the Service has not established baseline costs that would allow it to identify and recoup excess costs for printing, sales, and distribution. Therefore, we continue to believe that a reassessment of the regulatory provisions would be warranted. In view of our concerns, Service officials told us, in August 2003, they were planning such a reassessment.

The Service Has Not Yet Met Its Commitment to Congress to Provide It with BCRS Cost Data and Analyses

In our April 2000 BCRS report, we recommended that the Service make available the data and analysis showing which BCRS costs have been recovered through the First-Class postage rate to provide assurance that postal ratepayers are not involuntarily contributing funds to breast cancer research. In a letter addressed to Chairman John M. McHugh of the former Subcommittee on the Postal Service, House Committee on Government Reform,[16] the Service committed to provide, within 60 days of the conclusion of the BCRS' initial 2-year sales period (i.e., September 28, 2000), an analysis of the BCRS costs that the Service recovered through the base First-Class Mail, single-piece, first-ounce postage rate. The letter further stated that the analysis would demonstrate that the BCRS' incremental costs have been recovered solely from the surcharge revenue, and that its nonincremental costs have been recovered through the base postage rate.

As of August 12, 2003, the Service had not yet provided the recommended BCRS cost data and analysis to Congress. Service officials explained that an administrative oversight, as well as subsequent events, led to the Service's not making this information available to Congress. The officials acknowledged that a consultant had drafted an internal paper that presented and analyzed fiscal year 1999 cost data on the BCRS. However, the officials noted that this paper had not been reviewed by postal management and was drafted more than 2 years ago, before the Service

[16]Representative McHugh is now Chairman of the Special Panel on Postal Reform and Oversight, House Committee on Government Reform.

issued its current regulations on BCRS cost recovery. As we previously recommended, we continue to believe that the Service should prepare and make available the data and analyses of BCRS costs in order to provide ratepayers assurance that they are not involuntarily contributing funds to breast cancer research. Further, we believe that making available current data and analyses are even more important now than before, given that additional semipostals have been authorized; and more semipostals are likely in the future. More specifically, Congress has authorized two additional semipostals; and in August 2003, it was considering legislation authorizing two more semipostals and extending the sales period for the BCRS. Congress has also given the Postal Service specific authority to issue semipostals of its own choosing. Service officials told us in August 2003 they were planning a reassessment of the earlier BCRS internal paper and would provide Congress and us with the results of that reassessment as soon as practicable.

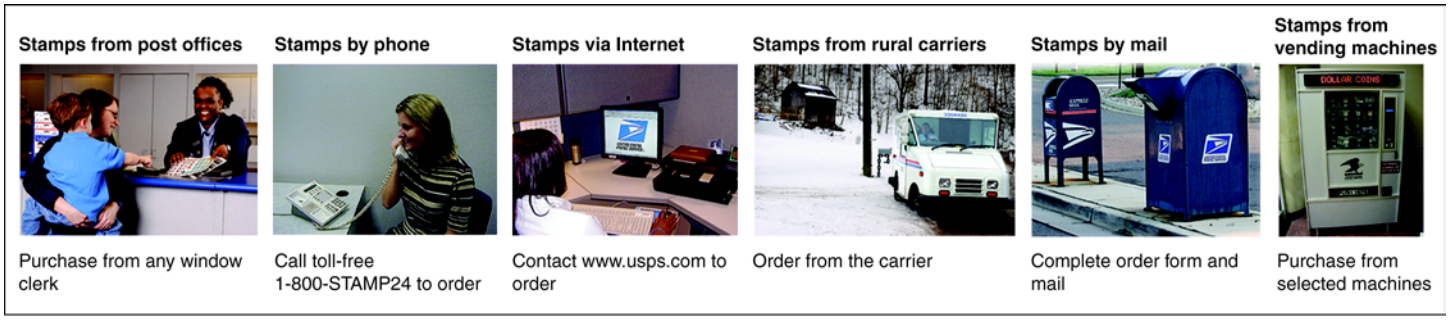
Effectiveness of the BCRS as a Fund-Raiser

The BCRS has continued to be an effective means of raising funds for breast cancer research. Although neither the Stamp Out Breast Cancer Act nor amendments to the act provide quantitative measures for evaluating the effectiveness of the BCRS as a fund-raiser, the act did provide that the BCRS was to provide the public a voluntary and convenient way of raising funds for breast cancer research. We reported in April 2000 that the BCRS had been successful to those ends. Since then, the BCRS has continued to be a voluntary and convenient way for the public to contribute millions of dollars for breast cancer research. BCRS sales have fluctuated over time; however, the BCRS has raised over $30 million for breast cancer research since it was issued in July 1998. Additionally, most key stakeholders told us that for the most part, they viewed the BCRS as an effective fund-raiser; and the public's view of the BCRS was generally positive, as reflected in the results from our survey. As of September 2003, the Service had transferred to NIH and DOD about $30.8 million from funds raised by the BCRS for breast cancer research. These federal organizations reported to us that they have established programs to fund innovative breast cancer research conducted by various research institutions. NIH and DOD are not required to issue reports to Congress detailing how BCRS-generated funds were used or the accomplishments that resulted from the BCRS-funded research.

The BCRS Remains Voluntary and Convenient and Has Raised Millions of Dollars for Research

The BCRS has remained voluntary and convenient, as provided for by the act, and has raised over $30 million for breast cancer research since it was issued in July 1998. Postal patrons have the choice of purchasing regular First-Class postage stamps at 37 cents each or contributing to breast cancer research by purchasing the BCRS at 45 cents each. The BCRS remains convenient in that it is available for purchase from a variety of postal sources, including post offices, although two stakeholders reported instances when some post offices in their areas did not have the BCRS when they visited. Figure 4 shows the various sources from which the BCRS can be purchased.

Figure 4: Various Postal Service Sources for Purchasing the BCRS



Source: GAO and U.S. Postal Service.

Our public opinion surveys—including our current 2003 survey and our earlier 1999 survey, both conducted by the same firm—indicate that about 70 percent of the public views semipostals as a convenient way to contribute to designated causes. These and other estimates from our 2003 survey are subject to sampling errors of less than +/- 6 percentage points (95 percent confidence level), as well as to additional errors of unknown magnitude due to the 89 percent nonresponse rate for the survey as discussed in appendix I.

As envisioned by the act, the BCRS has raised a substantial amount of money for breast cancer research. Postal officials report that since the BCRS was issued on July 29, 1998, the Service has sold over 450 million of this semipostal, generating over $30 million, net of costs, for breast cancer research. If BCRS sales continue at the rate it has been selling in fiscal year 2003, about 486 million will have been sold by the time BCRS sales are

scheduled to end on December 31, 2003—generating approximately $35 million in surcharge revenue.

BCRS Sales Have Fluctuated Over Time

Quarterly BCRS sales fluctuated considerably between 1998 and 2003 but have generally trended lower after reaching a high point of almost 40 million sales in quarter 3, 2000.[17] During the early years that the BCRS was for sale—quarter 4, 1998 through quarter 4, 2000—quarterly sales varied from a low of 18.3 million to a high of 39.8 million, with average quarterly sales of 26.4 million. During the latter years—from quarter 1, 2001, through quarter 3, 2003, sales ranged from 14.9 million to 27.8 million, with average quarterly sales of 19.5 million. To help shed additional light on the continued effectiveness of the BCRS as a means of fund-raising, we also looked at quarterly sales data for the Heroes of 2001 semipostal to see if there was a discernable decline in BCRS sales during the quarters when both semipostals were being sold simultaneously.

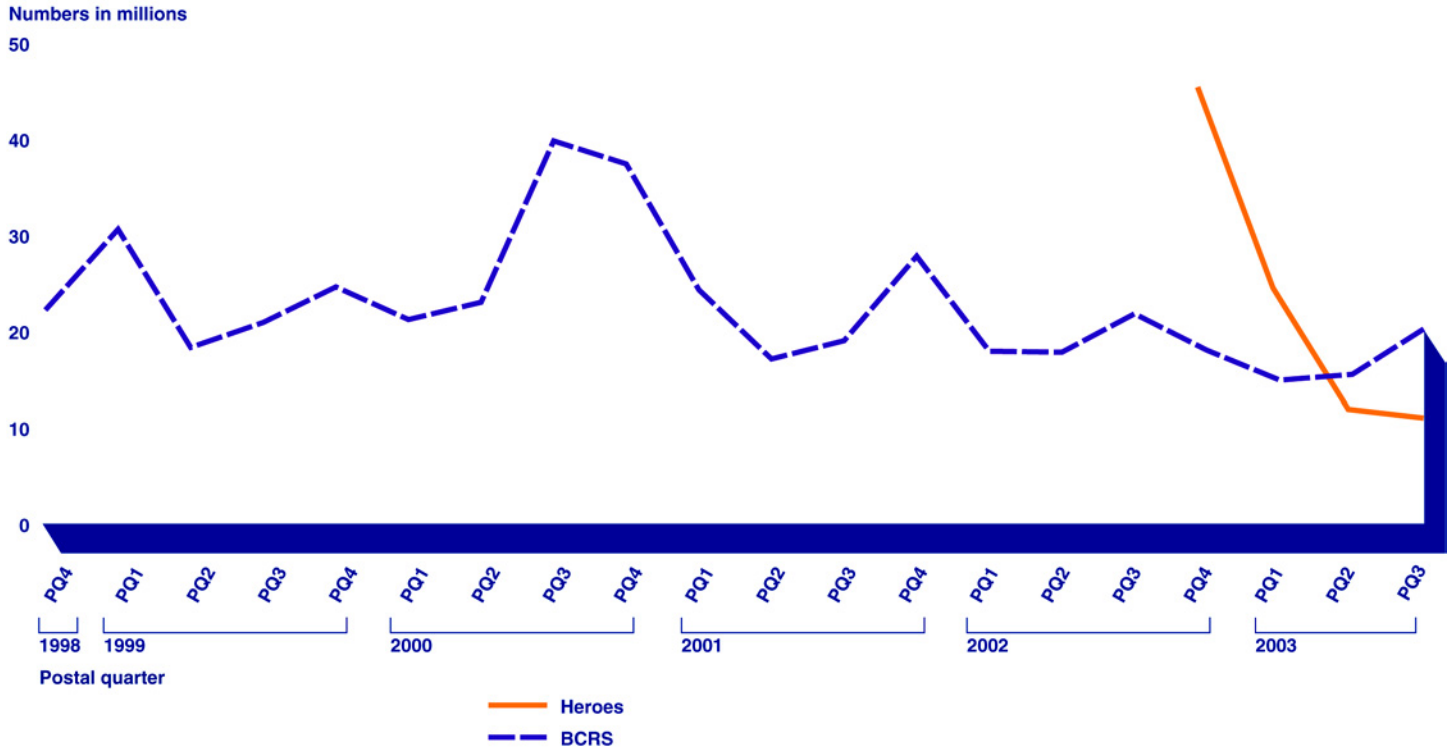
Although sales of the BCRS trended somewhat lower during the 4 quarters the Heroes semipostal was for sale, postal officials and other stakeholders did not believe there was a strong correlation. Postal officials pointed out that although BCRS sales declined during the period from quarter 4, 2002, through quarter 2, 2003, they did not drop nearly as precipitously as the sales of the Heroes semipostal—which fell from 45.4 million in quarter 4, 2002, to 11.0 million in quarter 3, 2003. Also, some postal officials and other stakeholders believed that over the long term, postal patrons who repeatedly purchase semipostals tend to support causes that have organized, nationwide support bases. For example, some postal officials and other stakeholders believe many people who purchase BCRSs know someone who is fighting breast cancer or fought it in the past. Likewise, postal patrons who repeatedly purchase BCRSs are likely to be aware that the BCRS is supported by many of the national breast cancer organizations or their affiliates.

However, some postal officials and other stakeholders speculated that the Heroes of 2001 semipostal may have initially been purchased by a large, diverse population eager to provide assistance to the families of emergency relief personnel killed or permanently disabled in connection with the terrorists attacks on September 11, 2001. However, these postal officials

[17]The postal fiscal year consists of 13, 4-week accounting periods. A postal quarter (PQ) consists of three consecutive accounting periods except for PQ 4, which covers the last four accounting periods of the fiscal year.

and other stakeholders suspected that large initial sales figures for the Heroes semipostal were not sustainable because that semipostal did not benefit from the support of a long-established, well-organized, nationwide network of organizations to keep the Heroes semipostal in the pubic eye. Figure 5 shows the number of BCRSs sold since date of issuance through quarter 3, 2003, as well as the number of Heroes of 2001 semipostals sold from date of issuance through quarter 3, 2003.

Figure 5: Number of BCRS and Heroes Semipostals Sold by Postal Quarter



Source: U.S. Postal Service.

Key Stakeholders Believe the BCRS Has Been an Effective Fund-Raiser

The key stakeholders we spoke with that expressed a view about the effectiveness of the BCRS believed it had been effective in raising funds for breast cancer research. Some of the stakeholders who did not express a view on the effectiveness of the BCRS provided other comments about semipostals.

Opinions of Key Stakeholders Who Expressed View That the BCRS Has Been an Effective Fund-Raiser

Key stakeholders who believed the BCRS has been an effective fund-raiser included the Postal Service; Dr. B.I. Bodai (the individual credited with conceiving the idea for the BCRS and who, along with Ms. Betsy Mullen, lobbied Congress for the BCRS); Ms. Betsy Mullen (the Women's Information Network Against Breast Cancer), the Susan G. Komen Breast Cancer Foundation; the American Cancer Society; and the American Philatelic Society.

According to postal officials, the effectiveness of the BCRS as a means of fund-raising is self-evident for two particular reasons. First, the BCRS has raised over $30 million for breast cancer research since it was issued in July 1998. Second, more than 450 million BCRS's had been sold through quarter 3, 2003, making the BCRS very popular when compared with the Service's best-selling commemorative stamps. Postal officials note that although BCRS sales have periodically waxed and waned, yearly sales totals have remained strong since the BCRS was issued.

Dr. B.I. Bodai believed the BCRS has been a more effective, consistent fund-raiser than expected. He said no one anticipated that the pennies generated from the sale of each BCRS across the country would, over time, total well over $30 million. Dr. Bodai said the BCRS was popular with families affected by breast cancer, but he believed sales could have been significantly higher if the Service and the various breast cancer organizations had even more vigorously and consistently promoted the BCRS over the past 5 years.

Ms. Betsy Mullen of the Women's Information Network Against Breast Cancer stated she believed the BCRS had been a very effective fund-raiser. Further, she noted that the BCRS' effectiveness wasn't just limited to raising funds, but was also extremely effective at raising awareness of breast cancer and the fight to eradicate it. Ms. Mullen also stated that the Women's Information Network Against Breast Cancer had worked very closely with Congress to ensure that money raised by the BCRS not supplant congressional appropriations for breast cancer research, and she believed money raised by the BCRS had not been used to supplant congressional appropriations to NIH and DOD for breast cancer research. She stated that from an educational perspective, the BCRS has been "priceless" in its role of promoting breast cancer awareness as a women's health issue. She said she believed that because of the BCRS, many more women have gotten mammograms than otherwise would have, and many lives therefore have been saved.

The Susan G. Komen Breast Cancer Foundation stated that the BCRS has consistently been an effective means of raising funds since it was issued in 1998. The foundation expressed the belief that over the years, the BCRS has proven to be even more successful than anyone had initially anticipated. The foundation reiterated its earlier position that the BCRS has been a unique and innovative fund-raising tool and has raised breast cancer awareness on a global scale. Further, the foundation stated that if anything, it has become an even stronger supporter of the BCRS over the years. The foundation and its 118 affiliates across the country have found the BCRS to be not only a great means for raising awareness, but also an excellent promotional tool that has helped stimulate breast cancer organizations' fund-raising activities—particularly at the local level.

The American Cancer Society believed that time has proven the BCRS to be an effective means of raising funds for breast cancer research. As we reported in 2000, the American Cancer Society's position had been that it was too early to label the BCRS as either effective or ineffective. However, the society stated that the BCRS has since shown that it has effectively raised money for breast cancer research. Society officials recalled that they had previously been concerned that the BCRS might take momentum away from federal funding for breast cancer research or adversely affect fund-raising organizations' ability to raise research funds. They stated, however, that they had seen no evidence, over the past 5 years, to indicate that the BCRS had taken momentum away from federal funding for breast cancer research or adversely affected the American Cancer Society's ability to raise research funds. The society said that it still believes vigilance is in order to ensure that the BCRS does not affect research funding or fund-raising, but otherwise it has no concerns about the BCRS. Society officials said that the BCRS fits well with the society's goals—one of which is to increase awareness of breast cancer. The society stated that it supports the BCRS.

American Philatelic Society officials stated that they had been surprised at stamp collectors' acceptance of the BCRS in particular, and semipostals in general. As we reported in 2000, the society was opposed to semipostals and believed they were a tax on the hobby of stamp collecting. Over time, however, the society has come to believe that the BCRS' strong sales indicate that semipostals are now widely accepted, making them effective fund-raisers. Nevertheless, the officials cautioned that although stamp collectors are now accepting of semipostals, they do not want to see more than one or two new semipostal issues per year. Otherwise, stamp

collectors would be forced to buy too many of the higher priced semipostal issues each year in order to maintain complete stamp collections.

Comments Made by Other Key Stakeholders

The National Breast Cancer Coalition (NBCC) stated that its position on the BCRS had not changed since our April 2000 BCRS report. Officials stated that NBCC still believes there are more effective ways of raising money for research than using semipostals. NBCC stated that a better gauge of the BCRS' effectiveness would be how well the surcharge revenue was spent on research rather than simply how much money the BCRS raised. NBCC continues to believe that effectively lobbying Congress holds the most promise for raising significant amounts of money for breast cancer research.

The Chairperson of the Citizen's Stamp Advisory Committee stated that it was outside the scope of the committee's role to evaluate or take a position on the effectiveness of the BCRS. The Citizen's Stamp Advisory Committee is a 15-member group of citizens appointed by and serving at the pleasure of the Postmaster General for the primary purpose of providing the Postal Service with a "breadth of judgment and depth of experience in various areas that influence subject matter, character and beauty of postage stamps." Under Postal Service regulations implementing the Semipostal Authorization Act, the committee is also responsible for reviewing eligible semipostal proposals and making recommendations to the Postmaster General on worthy cause(s) and executive agency(ies) eligible to receive funds raised by semipostals. The Chairperson emphasized that Postal Service management decides policy, administrative, and operational matters related to semipostals—not the Citizen's Stamp Advisory Committee. She stated that the committee's primary function is to review proposals for stamps and select subjects for recommendation to the Postmaster General that are both interesting and educational.

Survey Respondents View Semipostals in a Positive Light

To determine the public's awareness of the BCRS and its view of semipostals in general, we included pertinent questions in our survey of the public. We asked the same question about awareness of the BCRS that we asked in our August 1999 survey to look for evidence about whether the public had become more aware of the BCRS over time.

The survey results suggest that about 29 percent of adults were aware of the BCRS at the time of our recent inquiry—which occurred almost 5 years after the BCRS was issued. About 37 percent of women and about 19 percent of men were aware of the BCRS. The survey results from our

August 1999 survey, which was conducted about 1 year after the BCRS went on sale, indicated that about 24 percent of adults were aware of the BCRS at that time. About 29 percent of women and about 18 percent of men were aware of the BCRS in 1999. We are unable to determine whether the changes in our awareness estimates are due to genuine changes in awareness or to sampling errors and other nonsampling errors related to the 89 percent nonresponse rate, as discussed in appendix I.

To help gauge the public's experience with the BCRS, we also asked the survey participants whether they had ever purchased a BCRS. About 12 percent report they had purchased the BCRS. We did not ask a similar question in our 1999 public opinion survey.

Transfers of Surcharge Revenue to NIH and DOD for Breast Cancer Research

As of September 2003, the Service had transferred to NIH and DOD about $30.8 million from funds raised by the BCRS for breast cancer research. NIH and DOD reported to us that they have established programs to award funds for innovative breast cancer research conducted by various research institutions.

As noted in our April 2000 BCRS report, the act specifies that after deducting its reasonable costs, the Service is to transfer 70 and 30 percent of the remaining surcharge revenue generated by the BCRS to NIH and DOD, respectively. The act also specifies that such transfers be made at least twice yearly under arrangements as agreed to between the Service and those agencies. Further, the act specifies that NIH and DOD are to use transferred BCRS surcharge revenues for breast cancer research. Unlike any agency that was to receive funds generated from semipostals issued under the Semipostal Authorization Act, NIH and DOD are not subject to annual reporting requirements. Agencies that receive funds from semipostals issued under the Semipostal Authorization Act are required to submit annual reports to Congress that include (1) the total amount of funds received during the year; (2) an accounting of how the funds were allocated or otherwise used; and (3) a description of any significant advances or accomplishments made during the year that were funded, in whole or in part, out of amounts received.

Information currently reported to Congress on NIH's and DOD's use of research funds generated by the BCRS does not adequately support congressional oversight. As mandated, our periodic reports to Congress focus primarily on the BCRS' costs, effectiveness, and appropriateness; not on how NIH and DOD use BCRS surcharge revenues for breast cancer

research and the accomplishments resulting from such research. To help manage their respective BCRS funded research programs, NIH and DOD require award recipients to provide periodic reports on the progress being made and breakthroughs achieved. This is the same information that Congress requires of agencies receiving surcharge revenues generated by semipostals issued under the Semipostal Authorization Act; and this readily available information could be, if required, submitted by NIH and DOD to Congress on an annual basis.

To date, the Service has complied with the requirements in the Stamp Out Breast Cancer Act regarding the transfers of BCRS surcharge revenue to NIH and DOD. NIH and DOD are using BCRS surcharge revenue transferred to them to fund breast cancer research. Table 3 shows the transfers, by fiscal year, that have been made since the BCRS was issued in July 1998.

Table 3: Transfers Made to NIH and DOD for Breast Cancer Research

Fiscal year	Amount transferred to NIH	Amount transferred to DOD	Total transferred to NIH and DOD
1999	$4,150,210	$1,778,661	**$5,928,871**
2000	3,101,033	1,329,014	**4,430,047**
2001	5,556,225	2,381,240	**7,937,465**
2002	3,594,621	1,540,552	**5,135,173**
2003	5,175,938	2,218,259	**7,394,197**
Total	**$21,578,027**	**$9,247,726**	**$30,825,753**

Source: NIH, DOD, and U.S. Postal Service.

Breast Cancer Research Funded with BCRS Surcharge Revenue Transferred to NIH and DOD

NIH and DOD officials said that, as required by the Stamp Out Breast Cancer Act, they have been using transferred BCRS surcharge revenue to fund breast cancer research. NIH officials said that revenue received from the BCRS surcharge revenue has been used to fund breast cancer research under the National Cancer Institute's (NCI) "Insight Awards to Stamp Out Breast Cancer" initiative. The officials said that this program was designed to fund high-risk exploration by scientists who are employed outside the federal government and conduct breast cancer research at their institutions. They reported that 86 awards had been made as of April 2003, and most of the awards were for 2-year periods with several projects still alive. Discounting a single, one-time supplement for $4,300, individual awards ranged from $47,250 to $142,500 and averaged about $111,000. The

officials stated that these insight awards were innovative and high-risk projects; and many have been successful in leading to new insights and approaches in the biology, diagnosis, and treatment of breast cancer. The officials stated that NCI is currently considering additional research projects to be funded using BCRS surcharge revenue not yet committed. Detailed information provided by NIH/NCI on breast cancer research awards funded with proceeds from BCRS surcharge revenue is reprinted in appendix II.

DOD officials told us that revenue received from the BCRS' surcharge revenue had been used to fund "DOD Breast Cancer Research Program Idea Awards," which are administered by the U.S. Army Medical Research and Materiel Command. Idea Awards are intended to encourage innovative approaches to breast cancer research. DOD officials told us that 19 awards had been made as of April 2003. Individual awards ranged from $5,000 to $578,000 and averaged about $356,500. These awards have focused on research into such areas as the biology of cancer cell growth and tumor formation, immunotherapy, and new areas of breast cancer detection. The officials stated that DOD plans to continue investing money received from BCRS surcharge revenue into programs that will encourage innovative approaches to breast cancer research. The officials also stated that about $256,000 of the transferred funds had been used for management expenses. Detailed information provided by DOD on breast cancer research awards funded with proceeds from BCRS surcharge revenue is reprinted in appendix III.

Appropriateness of Using Semipostals as a Means of Fund-Raising

Most of the key stakeholders we spoke with and the public believe it is appropriate for the Postal Service to sell the BCRS, as well as other semipostals, to raise funds for worthwhile causes. When we issued our April 2000 report, the BCRS was the only semipostal available from the Postal Service. However, since that time, Congress has passed legislation mandating two additional semipostals and is currently considering legislation requiring two more semipostals and extending the sales period for the BCRS.

Opinions of the Postal Service, Key Stakeholders, and Others Regarding Appropriateness

The Service, NBCC, and the Citizens Stamps Advisory Committee generally viewed using semipostals to raise funds for designated causes as inappropriate; Dr. B.I. Bodai, Ms. Betsy Mullen, the Susan G. Komen Breast Cancer Foundation, the American Cancer Society, and the American

Philatelic Society viewed using semipostals to raise funds as appropriate. The public also believes that it is appropriate to use semipostals as fund-raisers.

Views of the Postal Service and Other Key Stakeholders

The Postal Service has historically been opposed to semipostals. The Service believes that fund-raising through the sale of semipostals is an activity outside the scope of the Service's mission as defined by the Postal Reorganization Act. The Service also remains concerned that the popularity of the BCRS does not necessarily portend the success of future semipostals, whether mandated by Congress or initiated by the Postal Service, and that future semipostals might generate only modest amounts of revenue while still requiring substantial postal expenditures. Postal officials are further concerned that too many semipostals not be on the market at the same time. The BCRS, initially slated for a 2-year sales period, has been twice extended by Congress and has been on sale for over 5 years. Postal officials worry that if semipostals are mandated but not retired, the market for semipostals might become oversaturated to the detriment of individual semipostals as well as the semipostal program in general.

The Susan G. Komen Breast Cancer Foundation stated that the BCRS was appropriate when issued and remains appropriate today. The foundation continues to support the BCRS wholeheartedly. Further, the foundation believed that the BCRS provides an easy and convenient way for the public to support and contribute to breast cancer research. The foundation stated that during the 5 years the BCRS has been for sale, it has become "a unifying symbol of the fight to find a cure for breast cancer which has become woven into the fabric of America." When feasible, the foundation uses the BCRS on both mass mailings and individual pieces of correspondence.

The American Cancer Society continues to believe that it is appropriate to use the BCRS as a means of fund-raising. The society has held this opinion since the BCRS was first issued.

The American Philatelic Society stated that its position on the appropriateness of the BCRS has moderated over time. The society no longer believes it is inappropriate for the Service to issue semipostals, changing its view because of the wide public acceptance of the BCRS. Society officials also told us that although BCRS costs are not identified and tracked with precision, they are in the ballpark given the regulations that the Service has issued for tracking and allocating costs.

NBCC stated that its opinion regarding the appropriateness of using the BCRS as a means of fund-raising had not changed since our April 2000 BCRS report. NBCC still had reservations about the appropriateness of the BCRS, and officials stated that they were still concerned that the BCRS might be more of a symbolic gesture, on Congress' part, than an all-out commitment to fund whatever research is needed to eradicate breast cancer in the shortest possible time.

The Chairperson of the Citizen's Stamp Advisory Committee stated that the committee's position has always been that semipostals are inappropriate because fundraising is outside the scope of the Postal Service's mission. The Chairperson noted that the committee had been against the Semipostal Authorization Act. The act mandated that the Service establish a semipostal program, and select causes to be represented by semipostals and agencies to receive funds raised through the sale of semipostals. The committee found it interesting that after giving the Service responsibility for selecting semipostals, Congress has continued to mandate additional semipostals. The committee is concerned that if Congress continues to mandate new semipostals without retiring old ones, a situation could eventually develop where semipostals, which are essentially commemorative stamps with a surcharge, might begin to "crowd out" the Service's regular commemorative stamp program. This could present a nationwide problem in post offices because there is limited space in window clerks' stamp drawers for different stamp issues. Because the Service requires that semipostals be available in all post offices at all times, the number of regular commemorative stamp issues might have to be limited to accommodate semipostals unless the number of semipostals for sale at any one time is limited.

Dr. B.I. Bodai reiterated his belief that using the Postal Service to issue semipostals for worthy, nonpostal causes is very appropriate and is an example of what good government is all about. Dr. Bodai stated that the BCRS has not only been appropriate from the standpoint of raising money for breast cancer research but has also been extremely valuable as a tool for raising breast cancer awareness on a nationwide basis. He noted that the BCRS is so popular that some states, such as Georgia, have incorporated its image into specialty automobile license plates.

Ms. Betsy Mullen of the Women's Information Network Against Breast Cancer believes that the BCRS is very appropriate, as would be other semipostals that raise funds for worthwhile causes. Ms. Mullen believes that the Service can successfully sell two or more semipostals at the same

time. She said that the Service has a long and successful history of concurrently selling multiple commemorative stamps, and the American public has demonstrated over the years its philanthropic support for multiple worthwhile causes. She also said that concurrently selling two or more semipostals is not a detriment to the semipostal program, but rather an enhancement because multiple semipostals cross-promote each other's sales. She noted that the Service is cross-promoting the sale of the BCRS and Heroes semipostals through its advertisements of these semipostals at post offices. Finally, she stated that the Women's Information Network Against Breast Cancer uses the BCRS on all of its correspondence, and, because of the BCRS, research is now being done that otherwise would not have been done.

The Public's View

The public continues to believe that it is appropriate to use semipostals to raise funds for nonpostal purposes. Our public opinion survey conducted by International Communications Research (ICR) indicated that about 71 percent believe it is very or somewhat appropriate to use semipostals issued by the Postal Service, such as the BCRS, to raise funds for nonpostal purposes and about 23 percent believe it is somewhat or very inappropriate. Six percent had no opinion, said they didn't know, or volunteered the answer that it would depend on the cause for which the semipostal was being used to raise money. Statistically, these opinions about the appropriateness of semipostals are not large enough to be significantly different from the findings of our 1999 survey.

Statutory Authorities and Constraints

On the legislative front, several laws have been enacted since our April 2000 BCRS report that affect the BCRS specifically or semipostals in general. These laws have (1) twice extended the sales period for the BCRS, (2) authorized two additional semipostals, and (3) authorized the Service to issue future semipostals. Also, as of August 2003, Congress was considering legislation establishing two more semipostals and extending the sales period for the BCRS until December 31, 2005. As of August 2003, the Service had not issued any semipostals of its own choosing and had no plans to do so until the sales period for congressionally mandated semipostals have ended. We believe this position is consistent with the discretion afforded the Service under the Semipostal Authorization Act.

Conclusions

We are concerned that the Service's BCRS regulations can be interpreted as not requiring the Service to provide baseline comparisons for certain BCRS

costs, e.g., printing, sales, and distribution, although the Stamp Out Breast Cancer Act specifically states that reasonable costs in these areas attributable to the BCRS should be recouped from its surcharge revenue. Although the Service has provided printing costs for various commemorative stamps, it has not established baseline costs for certain BCRS costs. Without these baselines, the Service lacks assurance that it is identifying and recouping excess costs from the BCRS' surcharge revenue. If the Service does not recoup costs for items that exceed those of comparable stamps, the Service could be subsidizing BCRS costs. Furthermore, without having baseline cost information for comparable stamps for the cost categories that the Service does track for the BCRS, it is impossible to determine whether the Service has recouped all reasonable costs of the BCRS that exceed those for comparable stamps in such cost categories. Further, the Service has not met its commitment to Congress to provide it with BCRS cost data and analyses, as we had previously recommended, to assure postal ratepayers that they are not involuntarily contributing to breast cancer research. Without current BCRS cost data and analyses, Congress and the public continue to lack assurance that postal ratepayers are not involuntarily contributing funds to breast cancer research.

Nearly all of the stakeholders that we spoke with consider the BCRS to be a success, particularly given its sales performance to date. According to NIH and DOD, millions of dollars in BCRS surcharge revenue have contributed to important new insights and approaches in the biology, diagnosis, and treatment of breast cancer, as well as in other areas of research. NIH and DOD provided us information regarding their use of BCRS surcharge revenue as well as advances or accomplishments they achieved. However, NIH and DOD are not required to submit annual reports to Congress like agencies that are to receive funds from semipostals issued under the Semipostal Authorization Act. Congress has twice extended the sales period for the BCRS and is currently considering a third extension. Therefore, establishing annual reporting requirements for NIH and DOD, similar to the statutory reporting requirements established for any agency that would receive funds from semipostals issued under the Semipostal Authorization Act, would prove valuable by providing information on the amount of funds received, how the funds were used, and any accomplishments resulting from the use of those funds, should Congress decide to further extend the BCRS sales period.

Matter for Congressional Consideration

If Congress decides to extend the sales period for the BCRS past its scheduled end date of December 31, 2003, it may wish to consider establishing a requirement that NIH and DOD annually report to Congress, similar to the requirement for agencies that are to receive surcharge revenues generated from semipostals issued under the Semipostal Authorization Act.

Recommendations for Executive Action

We are reaffirming our recommendation made in April 2000 that the Postmaster General direct postal management to make available the cost data and analyses showing which BCRS costs have been recovered through the First-Class postage rate to provide assurance that postal ratepayers are not involuntarily contributing funds to breast cancer research.

We also recommend that the Postmaster General reexamine and, as necessary, revise the Service's December 2001 cost-recovery regulations to ensure that the Service establishes baseline costs for comparable commemorative stamps and uses these baselines to identify and recoup excess costs from the BCRS' surcharge revenue. As part of that process, the Postmaster General should publish the baseline costs it is using. This would help provide assurance that the Service is recouping all reasonable costs of the BCRS from the surcharge revenue.

Agency Comments and Our Evaluation

The Postal Service provided comments on a draft of this report in a letter from the Senior Vice President, Government Relations dated September 10, 2003. These comments are summarized below and are reprinted as appendix IV. Postal officials also provided technical and clarifying comments, which we have incorporated into the report where appropriate.

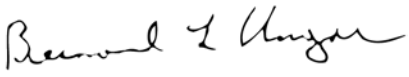
The Senior Vice President indicated that the Service plans to take appropriate actions to address our specific recommendations. He stated that the Service never intended that its BCRS cost-recovery regulations be interpreted as not requiring establishment of adequate baselines for comparing certain categories of costs. However, he acknowledged that the regulations might need to be revised to make the Service's intent clearer. Regarding the establishment of baselines, he noted that comparisons between the BCRS and comparable commemoratives could involve different facets in various areas. For example, he noted that printing cost comparisons could be difficult because they may involve differing time periods, different graphic designs, and different print runs. Nonetheless, he

said that the Service would reexamine its semipostal regulations with a view toward proposing revisions about what costs are to be identified and recouped from surcharge revenues.

In commenting on our reaffirmed recommendation that the Service make available BCRS cost data and analyses, the Senior Vice President stated the Service plans to reassess the earlier analysis it had commissioned on recovery of BCRS costs through the First-Class Mail postage rate in light of the cost-recovery issues raised in our report. He stated that the Service would provide Congress and us with the results of that reassessment upon completion.

We are sending copies of this report to the Chairman and Ranking Minority Member, Subcommittee on Health, House Committee on Energy and Commerce; and to the Chairman and Ranking Minority Member, Subcommittee on National Security, Emerging Threats, and International Relations, House Committee on Government Reform because of their involvement in passage of the Stamp Out Breast Cancer Act. We are also sending copies of this report to Senator Dianne Feinstein and Representative Joe Baca because of their expressed interest in the BCRS; the Postmaster General and Chief Executive Officer, United States Postal Service; the Chairman of the Postal Rate Commission; and other interested parties. Copies will also be made available to others upon request. In addition, this report will be available at our Web site at http://www.gao.gov.

Key contributors to this report are listed in appendix V. If you or your staffs have any questions about this letter or the appendixes, please contact me at (202) 512-2834 or E-mail at ungarb@gao.gov.



Bernard L. Ungar
Director, Physical Infrastructure Issues

Objectives, Scope, and Methodology

Our objectives for this report were to fulfill our legislative mandate to update Congress on (1) the monetary and other resources the Postal Service has expended in operating and administering the Breast Cancer Research Semipostal (BCRS) program, (2) the effectiveness of using the BCRS as a means of fund-raising, and (3) the appropriateness of using the BCRS as a means of fund-raising. We also provide information on the status of recommendations made to the Postmaster General in our April 2000 BCRS report. In essence, we recommended that the Service formalize its criteria for making BCRS cost recovery decisions and make BCRS cost data and analyses available to assure postal ratepayers that they were not involuntarily subsidizing BCRS costs.

To describe the monetary and other resources the Service has expended in operating and administering the BCRS program, we updated pertinent information presented in our April 2000 report to reflect current conditions. To do this, we interviewed officials in the Service's Offices of Stamp Services and Finance responsible for administering the BCRS program and tracking its costs. We gathered and analyzed data on the surcharge revenue raised by the BCRS as well as data on the costs and resources the Service used in operating and administering the BCRS program. We also identified and reviewed the Service's criteria for determining which costs are to be recouped from the BCRS' surcharge revenue and, as necessary, discussed with finance officials the application of the Service's criteria for certain cost items.

To determine if the BCRS has been an effective means of fund-raising, we obtained and analyzed BCRS sales data and discussed with finance and stamp services officials how certain events may have affected sales. We obtained similar information for the Heroes of 2001 semipostal and compared sales for the two semipostals. We also obtained information on how much BCRS generated funds had been transferred to the National Institutes of Health (NIH) and Department of Defense (DOD) for breast cancer research, and obtained information on how the money was being used to further breast cancer research. We did not evaluate or assess NIH's and DOD's process for determining who would be awarded BCRS research funds, nor did we evaluate any of the individual awards. Additionally, we did not independently verify any of the financial data provided by NIH and DOD. Further, we interviewed all but one of the key stakeholders that we had interviewed for our April 2000 report to determine if their views on the BCRS' effectiveness as a fund-raiser have changed since our last report. The key stakeholders interviewed included representatives of (1) the American Cancer Society, (2) the National Breast Cancer Coalition

(NBCC), (3) the Susan G. Komen Breast Cancer Foundation, (4) Dr. B. I. Bodai, and (5) the American Philatelic Society. We did not interview the current Curator of the Smithsonian Institution's National Philatelic Collection for this report. We had interviewed the former Curator for our April 2000 report, but the current Curator said that it was not within his personal expertise to evaluate the effectiveness or appropriateness of the BCRS, or semipostals in general, and it would not be proper for him to comment in his role as an official of the Postal Museum. For this report, we also interviewed Betsy Mullen, who is the founder of the Women's Information Network Against Breast Cancer, and who, along with Dr. B.I. Bodai, lobbied Congress to pass legislation creating the BCRS. Further, we interviewed the Chairperson of the Citizens Stamp Advisory Committee because, since our last BCRS report, the committee has been given the responsibility for reviewing semipostal candidates and making recommendations to the Postmaster General. We did not update the information included in our April 2000 report on foreign postal administration's semipostal activities because of the time and resources that such work would have required and the limited new information that it likely would have yielded.

To determine if the BCRS has been an appropriate means of fund-raising, we interviewed the same key stakeholders identified above to solicit their current views on the appropriateness of using the BCRS to raise funds. We also researched and analyzed applicable sections of the U. S. Code and Postal Service regulations to identify changes that have occurred since our April 2000 report that either affected the BCRS directly or the semipostal program in general. Additionally, we identified and analyzed pending legislation that would affect the Service's semipostal program.

We conducted our review at Postal Service Headquarters in Washington, D.C., from February through August 2003 in accordance with generally accepted government auditing standards.

Public Opinion Survey

To obtain the public's opinion of the BCRS in 2003, we contracted with International Communications Research (ICR) of Media, Pa. ICR included five questions about the BCRS and semipostals in its national omnibus telephone survey, conducted on 5 days, from June 27 and July 1, 2003 (Friday through Tuesday). Omnibus surveys of this type also collect demographic information and include questions for other clients on other topics. For our previous survey in 1999, ICR followed the same survey procedures when it asked four of the five questions that we used in 2003. In

2003, interviews were completed with respondents at 1,038 of the estimated 9,046 eligible sampled households, for a response rate of about 11 percent[1]. These survey procedures yield a nonprobability sample of members of the population of the contiguous United States (48 states and the District of Columbia) who are 18 years or older, speak English, and reside in a household with a residential, land-based telephone. The 89 percent nonresponse rate means that estimates in the report are subject to nonsampling errors of unknown magnitude.

Selection of Households and Respondents

Random digit dial (RDD) equal probability selection methods were followed to identify telephone numbers using the GENESYS Sampling System. The GENESYS system draws numbers from those active banks of telephone exchanges that have at least two household numbers listed and are accessed through land lines. Exchanges assigned to cellular telephones are not included.

The interviewers selected a member from each household, using a mixture of random and systematic procedures. Because adult males are more difficult to contact and interview in telephone surveys, ICR took the following measures to meet the specification of at least 500 completed male interviews, or approximately half of the sample. An interviewer first attempted to interview the adult male (aged 18 or older) with the most recent birthday. If that male was not present in the household at the time of the telephone call, then any other male present in the household at that time was selected; if no male was present, then an adult female was selected, with first preference being for the female present with the most recent birthday. Because the specifications were still not met, only males were interviewed during the closing phase of the survey. Although routine procedures specify five attempts to locate a respondent in each household, many households did not receive five calls and had not been contacted by the end of the interview period after one or more calls ended in a busy signal, no answer, or inability to complete a callback attempt. The respondent selection procedures eliminated interviewer judgment from the selection process, but did not yield a random, probability sample of the U.S. population. For example, these procedures exclude females who are

[1]This is based on the Response Rate 3 (RR3) convention defined by the American Association of Public Opinion Research: http://www.aapor.org/default.asp?page=survey_methods/standards_and_best_practices/standard_definitions. This response rate is calculated on the assumption that telephone numbers that were never contacted would have yielded eligible households at the same rate (24.8 percent) as that experienced with the contacted households.

present in households at the time when a willing male is present. The procedures also exclude any household members who are not at home at the time the interviewer contacts the household.

Survey respondents are weighted in our analyses so that age, sex, education, and regional estimates from our survey will match U.S. data from the March 2002 Current Population Survey (CPS) on these demographic characteristics for the adult population (18 years of age and older) of the 48 contiguous states and the District of Columbia. The number of telephone numbers in the household and number of household members were also considered in the weighting process.

Sampling Errors

As with all sample surveys, this survey is subject to both sampling and nonsampling errors. The effects of sampling errors, due to the selection of a sample from a larger population, can be expressed as confidence intervals based on statistical theory. The effects of nonsampling errors, such as nonresponse and errors in measurement, may be of greater or lesser importance, but cannot be quantified on the basis of the available data.

Sampling errors occur because we use a sample to draw conclusions about a much larger population. The survey's sample of telephone numbers is based on a probability selection procedure. As a result, the sample was only one of a large number of samples that might have been drawn from the total telephone exchanges throughout the country. If a different sample had been taken, the results might have been different. To recognize the possibility that other samples might have yielded other results, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval. For all the percentages presented in this report, we are 95-percent confident that when only sampling errors are considered, the results we obtained are within +/- 6 percentage points or less of what we would have obtained if we had surveyed the entire study population. For example, our survey estimates that 70 percent of the population feels that it is very or somewhat convenient to use special stamps to raise funds. The 95 percent confidence interval due to solely sampling errors for this estimate is between approximately 66 percent and 73 percent.

Nonsampling Errors

In addition to the reported sampling errors, the practical difficulties of conducting any survey introduce other types of errors, commonly referred to as nonsampling errors. For example, questions may be misinterpreted, some types of people may be more likely to be excluded from the study,

errors could be made in recording the questionnaire responses into the computer-assisted telephone interview software, and the respondents' opinions may differ from those of people in the sampled households we did not successfully interview.

For this survey, the 11 percent response rate is a potential source of nonsampling error; we do not know if the respondents' answers are different from the 89 percent who did not respond. With the available information we cannot estimate the impact of the nonresponse on our results. Our results will be biased to the extent that the people at the 89 percent of the telephone numbers that did not yield an interview have different opinions about or experiences with the BCRS than did the 11 percent of our sample who responded.

Once a respondent agreed to participate, the nonresponse for any particular item was low. Unless otherwise noted, less than 4 percent of the weighted answers to each question are in the category of not knowing an answer or refusing to answer the particular question.

BCRS Questionnaire

The section of the questionnaire that obtained information on BCRS issues, including the introduction and the five survey questions, follows:

Since 1998, at the direction of Congress, the U.S. Postal Service has been selling a Breast Cancer Research stamp at a price above the First-Class postage rate. The stamp currently sells for 45 cents, with 37 cents covering the First-Class postage rate and most of the remaining 8 cents going to breast cancer research. This stamp is available at post offices, postal stores, special breast cancer fund-raising events, and from rural carriers and some postal vending machines. In order to provide the Congress with the public's views on this topic, we would like to ask you some questions.

BC-1. Prior to hearing what I just told you about the 45-cent Breast Cancer Research stamp, were you aware that the Postal Service was selling such a stamp?

1 Yes
2 No
D (DO NOT READ) Don't Know
R (DO NOT READ) Refused

BC-2. In your opinion are special stamps with an added cost—such as the 45-cent Breast Cancer Research stamp—a convenient way for you to contribute to a special purpose?

(READ LIST. ENTER ONE ONLY)

4 Definitely yes
3 Probably yes
2 Probably no
1 Definitely no
D (DO NOT READ) Don't know/No opinion
R (DO NOT READ) Refused

BC-3. In your opinion, how appropriate or inappropriate is it to use special stamps issued by the Postal Service to raise funds nonpostal purposes?
(READ LIST. ENTER ONE ONLY)

4 Very appropriate
3 Somewhat appropriate
2 Somewhat inappropriate
1 Very inappropriate
5 (DO NOT READ) Would depend on cause/purpose
D (DO NOT READ) Don't know/No opinion
R (DO NOT READ) Refused

(IF Q 3 = SOMEWHAT INAPPROPRIATE OR VERY INAPPROPRIATE, CONTINUE; ELSE SKIP TO Q 5)

BC-4. Please briefly explain why you believe it is inappropriate to use special stamps issued by the Postal Service to raise funds for nonpostal purposes.
(TYPE IN RESPONSE; PROBE FOR CLARITY AND TO THE NEGATIVE)

1. Response Given
D Don't Know
R Refused

BC-5. Have you ever purchased a Breast Cancer Research Stamp?

1 Yes
2 No
D (DO NOT READ) Don't Know
R (DO NOT READ) Refused

National Institutes of Health Breast Cancer Research Awards Funded with Proceeds from the BCRS' Surcharge Revenue

As of April 2003, the National Cancer Institute (NCI) reported that it had funded 86 breast cancer research awards using money transferred to NIH by the Postal Service from the BCRS' surcharge revenue. The awards totaled about $9.5 million and covered research areas that included prevention, nutrition, biology, diagnosis, treatment, prognosis, metastasis, tumorigenesis, and mutagenesis. Discounting a single, one-time supplement for $4,300, individual awards ranged from $47,250 to $142,500 and averaged $111,395. Thirty-two of the 86 awards were noncompetitive continuations of previous BCRS funded awards. According to NIH officials, they were in the process of awarding the remaining funds that had been transferred to NIH for breast cancer research. Table 4 identifies pertinent information about each award, including the amount of the award, research area, principal investigator, sponsoring institution, and the fiscal year of the award.

Table 4: NIH/NCI Breast Cancer Research Awards Funded with Proceeds, as of April 2003, from BCRS Sales

Fiscal year	Institution	Principal investigator	Research area	Amount
2000	Hadassah University Hospital	Vlodavsky	Metastasis	$61,000
2000	Clemson University	Chen	Biology/metastasis	$105,000
2000	Mount Sinai School of Medicine	Kretzschmar	Metastasis	$125,387
2000	Institute for Cancer Research	Yeung	Prevention/biology	$126,866
2000	University of Pennsylvania	Lemmon	Biology/treatment	$118,875
2000	University of California, Irvine	Blumberg	Treatment	$105,946
2000	Fox Chase Cancer Center	Russo	Tumorigenesis	$126,866
2000	University of Melbourne	Thompson	Metastasis	$75,000
2000	University of Hawaii	Gotay	Treatment	$101,000
2000	University of Pennsylvania	Radice	Metastasis	$118,875
2000	Wake Forest University	Shelness	Treatment	$108,750
2000	Henry M. Jackson Foundation	Lechleider	Biology/metastasis	$74,000
2000	Virginia Mason Research Center	Nelson	Biology/treatment	$47,250
2000	Georgetown University	Wong	Biology/diagnosis	$116,950
2000	Columbia University	Swergold	Mutagenesis	$127,875
2000	Baylor College of Medicine	Rosen	Metastasis	$78,488
2000	Thomas Jefferson University	Sauter	Diagnosis	$81,089
2000	Center for Molecular Medicine and Immunology/Garden State Cancer Center	Blumenthal	Treatment	$142,500
2000	University of Pittsburgh	Nichols	Biology/treatment	$112,500

(Continued From Previous Page)

Fiscal year	Institution	Principal investigator	Research area	Amount
2000	University of Illinois at Chicago	Westbrook	Metastasis	$116,475
2000	Dana-Farber Cancer Institute	Kufe	Biology/tumorigenesis	$119,915
2000	Albany Medical College	Bennett	Treatment	$116,250
2000	Yale University	Zhang	Biology/tumorigenesis	$122,625
2000	Long Island Jewish Medical Center	Shi	Treatment/nutrition	$116,616
2000	University of California, San Francisco	Collins	Treatment	$110,625
2000	University of Massachusetts, Amherst	Jerry	Biology/tumorigenesis	$115,125
2000	University of Vermont	Krag	Treatment	$113,250
2000	State University of New York	Muti	Treatment/nutrition	$77,000
2000	University of Utah	Grissom	Treatment	$112,125
2000	Schepens Eye Research Institute	D'Amore	Biology/tumorigenesis	$121,500
2000	Massachusetts General Hospital	Haber	Tumorigenesis	$129,500
2000	Beth Israel Deaconess Medical Center	Junghans	Biology	$130,500
2001	Whitehead Institute for Biomedical Research	Weinberg	Biology	$116,250
2001	Medical Diagnostic Research Foundation	Chance	Diagnosis	$92,500
2001	Columbia University Health Sciences	Fisher	Treatment	$127,875
2001	Georgetown University	Dickson	Tumorigenesis	$116,600
2001	University of Minnesota, Twin Cities	Sheaff	Biology/prevention	$111,375
2001	Dana-Farber Cancer Institute	Garber	Prevention	$128,750
2001	Johns Hopkins University	Fedarko	Metastasis	$122,750
2001	Northwestern University	Jordan	Prevention	$110,250
2001	Stanford University	Contag	Diagnosis/metastasis	$119,597
2001	University of California, Irvine	Radany	Biology	$112,800
2001	Georgetown University	Byers	Prognosis/biology	$116,550
2001	Wayne State University	Fernandez-Madri	Diagnosis	$111,750
2001	Hadassah University Hospital	Vlodavsky	Metastasis	$61,000
2001	Clemson University	Chen	Biology/metastasis	$105,000
2001	Mount Sinai School of Medicine of New York University	Kretzschmar	Metastasis	$127,125
2001	Institute for Cancer Research	Yeung	Prevention/biology	$126,133
2001	University of Pennsylvania	Lemmon	Biology/treatment	$118,875
2001	University of California, Irvine	Blumberg	Treatment	$112,800
2001	Fox Chase Cancer Center	Russo	Tumorigenesis	$126,133
2001	University of Melbourne	Thompson	Metastasis	$75,000
2001	University of Hawaii, Manoa	Gotay	Treatment	$101,000
2001	University of Pennsylvania	Radice	Metastasis	$118,875
2001	Wake Forest University	Shelness	Treatment	$108,375

(Continued From Previous Page)

Fiscal year	Institution	Principal investigator	Research area	Amount
2001	Henry M. Jackson Foundation for the Advancement of Military Medicine	Lechleider	Biology/metastasis	$74,000
2001	Virginia Mason Research Center	Nelson	Biology/treatment	$47,250
2001	Georgetown University	Wong	Biology/diagnosis	$116,400
2001	Columbia University Health Sciences	Swergold	Mutagenesis	$127,875
2001	Baylor College of Medicine	Rosen	Metastasis	$109,322
2001	Thomas Jefferson University	Sauter	Diagnosis	$119,148
2001	Garden State Cancer Center	Blumenthal	Treatment	$142,500
2001	University of Pittsburgh	Nichols	Biology/treatment	$112,500
2001	University of Illinois	Westbrook	Metastasis	$116,475
2001	Dana-Farber Cancer Institute	Kufe	Biology/tumorigenesis	$125,862
2001	Albany Medical College of Union University	Bennett	Treatment	$116,250
2001	Yale University	Zhang	Biology/tumorigenesis	$122,625
2001	Long Island Jewish Medical Center	Shi	Treatment/nutrition	$117,050
2001	University of California, San Francisco	Collins	Treatment	$110,625
2001	University of Massachusetts, Amherst	Jerry	Biology/tumorigenesis	$115,125
2001	University of Vermont and State Agricultural College	Krag	Treatment	$113,250
2001	University of Utah	Grissom	Treatment	$112,500
2001	Schepens Eye Research Institute	D'Amore	Biology/tumorigenesis	$121,500
2001	Massachusetts General Hospital	Haber	Tumorigenesis	$127,500
2001	Beth Israel Deaconess Medical Center	Junghans	Biology	$130,500
2002	Fox Chase Cancer Center	Russo	Tumorigenesis	$4,300
2002	Whitehead Institute for Biomedical Research	Weinberg	Biology	$116,250
2002	Medical Diagnostic Research Foundation	Chance	Diagnosis	$103,350
2002	Columbia University Health Sciences	Fisher	Treatment	$127,875
2002	Georgetown University	Dickson	Tumorigenesis	$116,400
2002	University of Minnesota, Twin Cities	Sheaff	Biology/prevention	$111,375
2002	Dana-Farber Cancer Institute	Garber	Prevention	$128,375
2002	Johns Hopkins University	Fedarko	Metastasis	$122,625
2002	University of California, Irvine	Radany	Biology	$112,800
2002	Georgetown University	Byers	Prognosis/biology	$116,400
2002	Wayne State University	Fernandez-Madrid	Diagnosis	$111,750
Total				**$9,472,843**

Source: NCI, NIH.

Department of Defense Breast Cancer Research Awards Funded with Proceeds from the BCRS' Surcharge Revenue

As of April 2003, the U.S. Army Medical Research and Materiel Command reported that it had funded 19 breast cancer research awards using money transferred to DOD by the Postal Service from the BCRS' surcharge revenue. The awards totaled about $6.8 million and covered research areas that included genetics, imaging, biology, epidemiology, immunology, and therapy. Individual awards ranged from $5,000 to $578,183 and averaged $356,478. According to DOD officials, about $256,000 of the transferred funds had been used for management expenses, and DOD was in the process of awarding the remaining funds. Table 5 identifies pertinent information about each award, including the amount of the award, research area, principal investigator, sponsoring institution, and the fiscal year of the award.

Table 5: DOD Breast Cancer Research Awards Funded with Proceeds, as of April 2003, from BCRS Sales

Fiscal year	Institution	Principal investigator	Research area	Amount
1999	Garvan Institute	Daly	Cell biology	$283,649
1999	Scripps Institute	Deuel	Molecular biology	$5,000
1999	University of California, Davis	Heyer	Molecular biology	$111,444
1999	Garvan Institute	Musgrove	Cell biology	$222,652
1999	University of Arkansas	Shah	Cell biology	$279,000
1999	Texas A&M University	Wang	Imaging	$317,510
1999	University of Texas, SW Medical Center	White	Molecular biology	$334,094
1999	Tel Aviv University	Wreschner	Cell biology	$225,000
2000	Burnham Institute	Adamson	Cell biology	$578,183
2000	University of Arizona	Akporiaye	Immunology	$454,500
2000	University of Toronto	Penn	Molecular biology	$296,142
2001	Vanderbilt University	Cai	Epidemiology/genetics	$560,144
2001	University of California, Davis	Carraway	Cell biology	$427,225
2001	University of Texas, SW Medical Center	Chaudhary	Cell biology	$312,434
2001	Purdue University	Geahlen	Cell biology	$425,425
2001	St. Luke's-Roosevelt Hospital Center	Rosner	Cell biology	$454,181
2002	University of South Florida	Dou	Therapy	$491,999
2002	Fox Chase Cancer Center	Godwin	Genetics	$504,000
2002	Yale University	Perkins	Genetics	$490,500
Total				**$6,773,082**

Source: U.S. Army Medical Research and Materiel Command, DOD.

Comments from the U.S. Postal Service

RALPH J. MODEN
SENIOR VICE PRESIDENT
GOVERNMENT RELATIONS

UNITED STATES POSTAL SERVICE

September 10, 2003

Mr. Bernard L. Ungar
Director, Physical Infrastructure Issues
United States General Accounting Office
Washington, DC 20548-0001

Dear Mr. Ungar:

Thank you for providing the U.S. Postal Service the opportunity to review and comment on the General Accounting Office (GAO) draft report, Breast Cancer Research Stamp: Effective Fund-Raiser, but Better Reporting and Cost Recovery Criteria Needed. This report follows up on GAO's April 2000 report on the Breast Cancer Research Stamp (BCRS).

The GAO report indicated that the BCRS continues to be an effective fund-raiser for breast cancer research. Despite concerns expressed by the Postal Service and other stakeholders regarding the appropriateness of using semipostals to raise funds for designated causes, the Postal Service will faithfully execute its responsibilities under applicable law regarding the BCRS as well as the Heroes of 2001 and the planned Stop Family Violence stamps.

We note that the GAO report raised a number of issues concerning the costs being recouped from the BCRS surcharge revenue. As GAO has recognized, the Postal Service's approach to cost recovery has evolved since the BCRS was first issued. The Postal Service has determined that the reasonable costs to be recovered from the surcharge revenue for any semipostal stamp are the costs in excess of those normally incurred for comparable commemorative stamps. It is our belief, and the GAO report seems to concur, that the Postal Service has discretion under the law to make this determination.

GAO concludes, however, that the Postal Service's regulations can be read as not requiring establishment of adequate baselines for comparison for certain categories of costs and that, in some instances, the Postal Service has not adequately tracked the costs to be recouped. In particular, GAO has expressed concerns about costs associated with BCRS printing, sales, and distribution. In addition, the GAO report notes that while the Postal Service commissioned an analysis of BCRS costs recovered through the First-Class postage rate in response to a recommendation in the GAO's April 2000 report, and agreed to provide that information to Congress, to date the Postal Service has not provided such information.

As the GAO report indicates, the Postal Service never intended the interpretation that GAO suggests might be ascribed to our regulations. We acknowledge, however, that the regulations may need to be revised to make our intent clearer. Regarding the establishment of baselines, it should be noted that comparisons can involve different facets in different areas. For example, comparisons between the BCRS and comparable commemoratives in the area of printing costs

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-2-

involve differing time periods (and concomitant increases or decreases in industry costs associated with technology), different graphic designs, and different print runs. We also note that our concern in adequately tracking and recouping costs from semipostal surcharge revenue continues to be, as stated in the GAO report, that the time and effort needed to research, develop, implement, and monitor tracking mechanisms for certain types of costs could significantly reduce or even eliminate funds remaining to be donated from the surcharge revenue.

Mindful of these concerns, the Postal Service, nonetheless, plans to take appropriate actions in response to GAO's specific recommendations. The Postal Service plans to reassess the earlier analysis it had commissioned on recovery of BCRS costs through the First-Class Mail postage rate in light of the cost recovery issues raised in this report. We will provide both the Congress and GAO with the results of that reassessment upon completion. In addition, the Postal Service will reexamine its semipostal regulations with a view toward proposing revisions that will clarify what costs are to be identified and recouped from surcharge revenues.

If you or your staff would like to discuss any of these comments, I am available at your convenience.

Sincerely,

Ralph J. Modeen

Ralph J. Modeen

Contact and Staff Acknowledgments

GAO Contact

Gerald P. Barnes (202) 512-2834

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