

POSTAL REGULATORY COMMISSION

OFFICE OF INSPECTOR GENERAL



SEMIANNUAL REPORT TO CONGRESS

October 1, 2007 through March 31, 2008

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INTRODUCTION

The Postal Regulatory Commission

The Postal Regulatory Commission is an independent federal agency established (as the Postal Rate Commission) by the Postal Reorganization Act of 1970. From its establishment through the enactment of the Postal Accountability and Enhancement Act (PAEA) of 2006, the Commission primarily received United States Postal Service proposals for domestic mail rates and classifications, presided over litigation regarding those proposals, and recommended rates and classifications to the Board of Governors of the United States Postal Service. PAEA, which was enacted on December 20, 2006, re-designated the Commission, expanded the Commission's jurisdiction to include international mail and service standards, and charged the Commission with implementing a new system of postal rate regulation.

During the reporting period, the Commission made significant progress toward implementing PAEA. The Commission's final rules establishing the new ratemaking system became effective on November 9, 2007, fully seven months before the deadline for final rules set by the PAEA. As a result of the flexibilities mandated by PAEA and reflected in the Commission's rules, the Postal Service declined to file a final rate request under the Postal Reorganization Act of 1970 before its December 21, 2007 statutory deadline. Further, during the reporting period the Commission made its first determinations regarding Postal Service rate increases on market dominant and competitive products, completed its first annual compliance determination, and issued a strategic plan.

The Postal Regulatory Commission consists of five Commissioners who are appointed for six-year terms by the President, with the advice and consent of the Senate. No more than three of the Commissioners can be members of the same political party. The President designates one of the Commissioners to serve as Chairman, and the Commissioners, by majority vote, select one Commissioner to serve as Vice Chairman.

The Office of Inspector General

The Commission established the Office of Inspector General (OIG) on June 15, 2007 and hired the first Inspector General on June 23, 2007. During the reporting period, OIG had two full-time employees—the Inspector General and an administrative assistant. OIG was assisted in the conduct of its audits by two auditors on separate details from the United States Postal Service Office of Inspector General.

ACTIVITIES OF THE OFFICE OF INSPECTOR GENERAL

Audit Activities

Under the Inspector General Act of 1978 as amended, the Inspector General provides policy direction and conducts, supervises and coordinates audits relating to programs and operations of the Postal Regulatory Commission.

During the reporting period, OIG completed two final audit reports, which are summarized below:

Information Technology Governance and Information Security Planning Audit Report 0702A01

OIG initiated an audit of the Commission's information security planning and information technology governance. OIG found that while the Commission was making improvements in these areas, the establishment of formal, written policies, roles and documentation would ensure continued progress and adherence to applicable federal standards. The final audit report included five recommendations. Management agreed with all recommendations and set target dates for implementation of each.

Imprest Fund Audit Report 0801A01

At the Commission's request, OIG conducted an audit of the Commission's imprest (petty cash) fund, which had not been audited since September, 1998. OIG found that some internal controls over the fund and over reimbursement of local travel expenses could be improved and made nine recommendations. Management agreed with all recommendations, and established a revised imprest fund and expense reimbursement policy addressing the recommendations shortly after the final audit report was issued.

As a result of information developed during our audit of the imprest fund, OIG initiated an audit of the Commission's controls over miscellaneous receipts. This audit was ongoing at the close of the reporting period.

Investigative Activities

Under the Inspector General Act, OIG receives and investigates allegations of fraud, waste, abuse and misconduct within Commission programs and operations. OIG investigations can give rise to administrative, civil and criminal penalties.

In order to facilitate reporting of allegations, OIG maintains a hotline (see “Contacting the Office of Inspector General,” Page 8).

During the reporting period, OIG received thirty hotline contacts, mainly via electronic mail and telephone. Many were complaints regarding the United States Postal Service, which OIG forwarded for action.

During the reporting period, OIG closed one preliminary inquiry without further action. OIG did not refer any cases to prosecutors during the reporting period.

Other Activities

Regulatory Review

Under Section 4(a)(2) of the Inspector General Act, OIG reviews drafts of proposed Commission rules and regulations. During the reporting period, OIG provided comments regarding draft Commission regulations and policies, including proposed policies on telework, flex-time, information security, and imprest fund management.

Liaison Activities

The Inspector General is a member of the Executive Council on Integrity and Efficiency, which consists primarily of IGs established under section 8(G) of the IG Act. During the reporting period, the Inspector General attended the ECIE’s monthly meetings, along with meetings of a working group of IGs examining transition issues raised by proposed amendments to the Inspector General Act. OIG has also coordinated its activities with the Government Accountability Office.

Inspection and Evaluation

OIG suspended its review of certain aspects of ratemaking under the Postal Reorganization Act of 1970 when the Postal Service declined to file a final rate request under that law.

INSPECTOR GENERAL ACT REPORTS

Section 5(a) of the Inspector General Act requires the following information to be included in semiannual reports.

- 5(a)(1) Significant problems, abuses or deficiencies identified
None.
- 5(a)(2) Recommendations for corrective action
None.
- 5(a)(3) Open recommendations from previous semiannual reports
None.
- 5(a)(4) Matters referred to prosecutors, disposition
None.
- 5(a)(5) Reports of information or assistance unreasonably withheld
None.
- 5(a)(6) Listing by subject of audit reports issued
See page 3.
- 5(a)(7) Summary of particularly significant reports
See page 3.
- 5(a)(8) Statistical table – questioned costs
Table I
- 5(a)(9) Statistical table – recommendations that funds be put to better use
Table II
- 5(a)(10) Audit reports from prior reporting periods for which no management decision had been made
None.
- 5(a)(11) Significant revised management decisions
None.
- 5(a)(12) Significant management decisions with which the IG is in disagreement
None.
- 5(a)(13) Information under section 05(b) of the FFMIA
None.

Table I – Audit reports with questioned costs

	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period	0	0	\$0	\$0
B. Which were issued during the reporting period	0	0	\$0	\$0
Subtotals (A+B)	0	0	\$0	\$0
C. For which a management decision was made during the reporting period	0	0	\$0	\$0
D. For which no management decision has been made by the end of the reporting period	0	0	\$0	\$0
E. For which no management decision was made within six months of issuance	0	0	\$0	\$0

Table II – Audit reports with recommendations that funds be put to better use

	Number of Reports	Number of Recommendations	Dollar Value
A. For which no management decision has been made by the commencement of the reporting period	0	0	\$0
B. Which were issued during the reporting period	0	0	\$0
Subtotals (A+B)	0	0	\$0
C. For which a management decision was made during the reporting period	0	0	\$0
D. For which no management decision has been made by the end of the reporting period	0	0	\$0
E. For which no management decision was made within six months of issuance	0	0	\$0

CONTACTING THE OFFICE OF INSPECTOR GENERAL

In our mission to detect and prevent waste, fraud and abuse and to promote efficiency and economy at the Postal Regulatory Commission, the Office of Inspector General relies on information provided by PRC staff and the general public.

Contact OIG to report illegal or wasteful activities or to receive copies of OIG reports:

Telephone:
202-789-6817

E-Mail:
prc-ig@prc.gov

Internet:
<http://www.prc.gov/oig>

Mail:
**901 New York Avenue, Suite 230
Washington, DC 20268-0001**

**IDENTITIES OF WRITERS AND CALLERS ARE PROTECTED TO THE FULL EXTENT
OF THE LAW.**