

**POSTAL REGULATORY COMMISSION**  
**OFFICE OF INSPECTOR GENERAL**



**SEMIANNUAL REPORT TO CONGRESS**

October 1, 2010 through March 31, 2011

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# INTRODUCTION

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## THE POSTAL REGULATORY COMMISSION

The Postal Regulatory Commission (PRC) 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 its jurisdiction to include international mail and service standards, and charged the Commission with implementing a new system of postal rate regulation.

The PRC 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. On December 1, 2010, the Commission elected Mark Acton as Vice Chairman.

During the reporting period, the PRC dealt with three issues of major significance. The PRC:

1. completed its review of an Advisory Opinion on a Postal Service plan to end Saturday mail delivery, collection, and outbound mail processing;
2. began to assess the effectiveness of postal laws and develop recommendations for improvements as required by Section 701 of the Postal Accountability and Enhancement Act (PAEA); and
3. issued its Annual Compliance Determination (ACD) assessing the financial and service performance of the Postal Service in fiscal year 2010.

## 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. In October 2010, OIG hired a senior auditor. During the reporting period, OIG had three full-time employees—the Inspector General, a senior auditor and an administrative assistant. OIG was assisted in the conduct of its audits and inspections during

the reporting period by auditors and evaluators on detail from the Postal Service Office of Inspector General.

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## **ACTIVITIES OF THE OFFICE OF INSPECTOR GENERAL**

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### **AUDITS AND EVALUATIONS**

Under the Inspector General Act of 1978 as amended (IG Act), 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 one final audit report, which is summarized below:

#### **FINAL AUDIT REPORT: INFORMATION SECURITY MANAGEMENT AND ACCESS CONTROL POLICIES**

This review presents the results of our follow up audit on Federal Information Security Management Act (FISMA) compliance as well as access controls in the PRC's information security policy. OIG found that PRC has made progress in its information security program; however, it has not fully addressed some areas of concern and two prior recommendations remain open. We found that of the 16 relevant National Institute of Science and Technology (NIST) access control standards, the PRC's information security policy did not address one and only partially addressed five.

OIG recommended that the PRC continue to strengthen its information security program in accordance with FISMA, complete a plan of actions and milestones, and better align its access control policy with NIST standards. PRC Management agreed and committed to implementing all recommendations.

#### **AUDIT PLANNING - RISK ASSESSMENT**

During the reporting period, OIG developed a risk assessment process to identify control weaknesses, potential risk, and vulnerabilities associated with contract administration process and operations. As a result, we plan to conduct a series of audits and inspections of PRC purchasing and contracting controls and practices.

#### **ONGOING AUDITS AND EVALUATIONS**

During the reporting period, OIG initiated an evaluation of PRC contract acquisition planning to determine compliance with policies and effectiveness of internal controls at that stage of the contracting process. This review was ongoing at the close of the reporting period.

## **INVESTIGATIVE ACTIVITIES**

Under the IG Act, OIG receives and investigates allegations of fraud, waste, abuse and misconduct within the PRC's 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 hotline contacts via postal mail, electronic mail and telephone. Many were complaints regarding the United States Postal Service, which OIG forwarded for action.

OIG did not refer any matters for prosecution during the reporting period.

## **OTHER ACTIVITIES**

### **REGULATORY REVIEW**

Under Section 4(a)(2) of the IG Act, OIG reviews drafts of proposed Commission rules and regulations. During the reporting period, OIG provided informal comments regarding draft Commission regulations and policies, including revised leave and performance management policies. OIG did not provide comments to PRC on a proposed purchasing policy due to ongoing work in this area.

### **LIAISON ACTIVITIES**

The Inspector General is a member of the Council of Inspectors General on Integrity and Efficiency (CIGIE), which was established on October 14, 2008, pursuant to the Inspector General Reform Act of 2008. During the reporting period, the Inspector General attended monthly meetings of CIGIE as well as meetings of CIGIE's Legislation and Information Technology Committees.

### **PEER REVIEW**

OIG was established in 2007, and at the close of the reporting period had not yet conducted or received its first audit peer review. According to CIGIE's audit peer review schedule for 2011- 2013, OIG is scheduled to have its first audit peer review conducted by the Federal Trade Commission in FY 2011. In addition, OIG is scheduled to conduct a peer review of Federal Maritime Commission's audits in FY 2012.

# INSPECTOR GENERAL ACT REPORTS

Section 5(a) of the IG Act requires that the following information be included in semiannual reports.

REFERENCE	REPORTING REQUIREMENT	PAGE
Section 5(a)(1)	Significant problems, abuses or deficiencies identified	None
Section 5(a)(2)	Recommendations for corrective action	None
Section 5(a)(3)	Open recommendations from previous semiannual reports	None
Section 5(a)(4)	Matters referred to prosecutors, disposition	None
Section 5(a)(5)	Reports of information or assistance unreasonably withheld	None
Section 5(a)(6)	Listing by subject of audit reports issued	Page 3
Section 5(a)(7)	Summary of particularly significant reports	Page 3
Section 5(a)(8)	Statistical table—questioned costs	Table 1
Section 5(a)(9)	Statistical table—recommendations that funds be put to better use	Table II
Section 5(a)(10)	Audit reports from prior reporting periods for which no management decision had been made	None
Section 5(a)(11)	Significant revised management decisions	None
Section 5(a)(12)	Significant management decisions with which the IG is in disagreement	None
Section 5(a)(13)	Information under section 05(b) of the FFMIA	None
Section 5(a)(14)	Peer Review Activity	Page 4

Table 1

**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
<b>Subtotals (A+B)</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

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**AUDIT REPORTS WITH RECOMMENDATIONS THAT  
FUNDS BE PUT TO BETTER USE**

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	<b>Number of Reports</b>	<b>Number of Recommendations</b>	<b>Dollar Value</b>
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
<b>Subtotals (A+B)</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

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## **CONTACTING THE OFFICE OF INSPECTOR GENERAL**

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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:  
**P.O. Box 50264  
Washington, DC 20091**

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