



OFFICE OF INSPECTOR GENERAL
Washington, DC 20268-0001

November 25, 2008

The Honorable Danny K. Davis
Chairman
Subcommittee on Federal Workforce, Postal Service and the District of Columbia
U.S. House of Representatives
Room B-349A Rayburn House Office Building
Washington, DC 20515

Dear Chairman Davis:

The enclosed report presents the results of the Postal Regulatory Commission Office of Inspector General's review of the Commission's conduct of the study on universal postal service and the postal monopoly required by Section 702 of the Postal Accountability and Enhancement Act. You asked us to determine the nature of the work being performed on the Commission's study by a George Mason University contract team, and the extent to which the contractors' work will be used in the final report.

We found that the Commission intends to use the work products provided under the contract with George Mason as sources of raw information for a report that will be drafted by the Commission. We recommend, in the interest of transparency, that the Commission release the full text of all products provided by the contractors when the report is presented to Congress. We also recommend that future contracts contain stronger deadlines for performance.

If you have any questions, please do not hesitate to contact me.

Sincerely,

/Jack Callender/

Jack Callender
Inspector General
Postal Regulatory Commission

cc: Chairman Blair, Commissioners Langley, Goldway, Hammond and Acton

POSTAL REGULATORY COMMISSION

OFFICE OF INSPECTOR GENERAL



INSPECTION REPORT

CONDUCT OF THE STUDY ON UNIVERSAL POSTAL SERVICE AND THE POSTAL MONOPOLY

IR-08-02A-01

November 25, 2008

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Introduction

Background

This report presents the results of a review requested by Chairman Danny K. Davis of the U.S. House Subcommittee on the Federal Workforce, Postal Service and the District of Columbia. Section 702 of the Postal Accountability and Enhancement Act (PAEA), Public Law 109-435, of December 20, 2006, required the Postal Regulatory Commission (PRC) to submit to the President and Congress a report on universal postal service and the postal monopoly in the United States, including the monopoly on the delivery of mail and access to mailboxes, by December 19, 2008. The PAEA listed the following topics to be covered in the PRC report:

- A comprehensive review of the history and development of universal service and the postal monopoly.
- The scope and standards of universal service and the postal monopoly provided under current law.
- A description of areas, populations, communities or other groups or entities not currently covered by universal service.
- The scope and standards of universal service and the postal monopoly likely to be required in the future.
- Recommended changes to universal service and the postal monopoly.

On November 29, 2007, the PRC issued a Request for Proposal (RFP) to assist the PRC in developing the report on the universal postal service and the postal monopoly. The RFP included a Statement of Work with the following tasks:

- Propose questions on issues related to universal postal service and the postal monopoly for public proceedings.
- Conduct a comprehensive review of the history and development of universal service and the postal monopoly.
- Identify the scope and standards of universal service and the postal monopoly under current law and practice.
- Describe any areas, populations, communities or other groups or entities not currently covered by universal service.

- Describe the policies of other countries concerning universal postal service and the postal monopoly.
- Develop and conduct a study to determine the needs and expectations of the public concerning universal service.
- Describe the scope and standards of universal service and the postal monopoly likely to be required in the future to meet the needs and expectations of the public.
- Present options for recommended changes to universal service and the postal monopoly and their effects.
- Describe methodologies for determining the cost of the USO and the effect of any changes to it.
- Draft a comprehensive report including all of the above-mentioned topics and incorporating Postal Service and public input received by the PRC.

PRC received and reviewed several proposals and chose the George Mason University (GMU) proposal based on its overall value and technical merit. The December 27, 2007, GMU proposal included a proposed report outline, chapters and appendices to address the tasks in the RFP. On February 1, 2008, the PRC signed a Memorandum of Understanding (MOU) with GMU serving as authorization for GMU to begin work on a contract to assist the PRC staff in developing their report on universal postal service and the postal monopoly.

PAEA requires the PRC, in preparing this study, to consult with and receive input from postal stakeholders including the Postal Service, other Federal agencies, users of the mail, competitors and the general public.¹ To this end, the PRC initiated a public proceeding (Docket No. PI2008-3) and received written comments from stakeholders, heard testimony from witnesses at four public hearings and held a public workshop on issues to be addressed in the report. In addition, the Postal Service separately sponsored and released studies by IBM, Rand and Accenture on issues relevant to the report and issued its own “Report on Universal Postal Service and the Postal Monopoly” in October, 2008.

Citing concerns about biases of some subcontractors on the GMU project team, Chairman Davis of the Subcommittee on Federal Workforce, Postal Service, and the District of Columbia asked the Office of Inspector General to review the role of the GMU contract team in PRC’s preparation of this report.

Objectives, Scope, and Methodology

The objective of our review was to determine the nature of the work performed by the GMU consulting team and the extent to which the data will be used in the upcoming report. To

¹ Public Law 109-435, Sec. 702(c).

accomplish our objective, we interviewed two PRC Commissioners and staff working on the report in various capacities. In addition, we reviewed pertinent documents provided by GMU and the PRC.

We conducted this review between October and November 2008 in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Inspections*. We discussed our observations and conclusions with the PRC Chairman on November 18, 2008.

Results

Nature of Work Performed by GMU

Per the MOU with the PRC, GMU is supplying the PRC with a team of consultants and subcontractors to provide briefings, analyses, studies, draft sections and appendices of their work on the universal postal service and postal monopoly. GMU assigned to the project a Principal Investigator who is responsible for overall leadership and a full-time Program Manager who is responsible for supervising project staff, consultants and subcontractors. Over the course of the contract, GMU will provide the PRC with products on nine report topics, including briefings, analyses, studies, surveys, and draft chapters and appendices. GMU is providing these sections of their work to the PRC as they are completed. It does not appear that GMU will be preparing a comprehensive draft of the report as described in the RFP.

The PRC's objective is to use the discrete products provided by GMU as sources of raw data for a report that will be drafted by the PRC. In addition to the information provided by GMU, the PRC will use the material submitted in Docket No. P12008-3 and the public reports from the Postal Service regarding universal service and the postal monopoly to draw conclusions and prepare the report.

While the record in Docket No. PI2008-3 is publicly available, it was uncertain during our interviews whether the PRC would release the full text of GMU's work on the contract. Releasing the full text of these products with the PRC's report (as appendices to the report or otherwise) would provide transparency between the PRC's conclusions and all of the information and analyses upon which those conclusions were based. In addition, doing so would provide readers with the opportunity to compare the PRC-approved report with the GMU products, as well as public comments and testimony and the Postal Service's reports.

Recommendation

1. We recommend that the PRC release with the PRC report the full text of GMU's products provided under the contract.

Discussion with Management

The PRC Chairman concurred with our recommendations and informed us that the PRC plans to release the full text of GMU's products provided under the contract in DVD format when the final report is issued. The PRC also plans to provide electronic links in the report to the full record in Docket No. PI2008-3, and the full text of any Postal Service material referenced in the study or used by the PRC in its deliberations but not included in the Docket.

Deadlines for Performance

The RFP provided specific deadlines for production of each portion of the work to be performed under the contract. However, none of the components of PRC's contract with GMU (including the RFP, GMU's proposals or the final MOU) contained penalties for failing to meet project timelines. PRC officials stated that GMU has not met many of the deadlines described in the RFP. As a result, the PRC has had less time than originally planned to review, analyze and draw conclusions from the GMU products. A penalty clause in the contract could have given the PRC more options in managing towards the statutory December 19, 2008 deadline for the final report.

Recommendation

2. We recommend that the PRC define clear timelines for deliverables along with penalties for nonconformance in future contracts.

Discussion with Management

The PRC Chairman concurred with our recommendation and agreed that the PRC should include such a provision in future contracts.