

POSTAL REGULATORY COMMISSION
OFFICE OF INSPECTOR GENERAL



SEMIANNUAL REPORT TO CONGRESS

April 1, 2010 through September 30, 2010

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INTRODUCTION

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.

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

1. received and began proceedings on a Postal Service request for an Advisory Opinion on eliminating Saturday mail delivery;
2. issued an actuarial report on the Postal Service's CSRS pension liability; and
3. conducted proceedings on a Postal Service request to raise rates above the statutory cap under exigent circumstances and issued a decision denying the request.

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 and inspections during the reporting period by auditors and evaluators on detail from the Postal Service Office of Inspector General and the Treasury Inspector General for Tax Administration.

ACTIVITIES OF THE OFFICE OF INSPECTOR GENERAL

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 inspection report, which is summarized below:

FINAL INSPECTION REPORT: POSTAL REGULATORY COMMISSION'S HANDLING OF NONPUBLIC INFORMATION

OIG initiated a review of the PRC's procedures, policies and systems for handling nonpublic information and material received by the PRC, and to identify whether or not the controls in place were adequate to safeguard the information from possible disclosure or unauthorized access. OIG initiated this review in response to requests from both Chairman Edolphus Towns of the U.S. House Committee on Oversight and Government Reform and PRC Chairman Ruth Goldway. OIG found that the PRC's controls over nonpublic information were adequate in the areas of storage, limiting staff access, and receipt and transmission. OIG recommended that the PRC develop formal training on security requirements and implement an incident reporting system. PRC Management agreed and committed to implementing both recommendations.

ONGOING AUDITS AND EVALUATIONS

Two audits or evaluations were ongoing at the close of the reporting period: an evaluation of the adequacy of the data the PRC requests and receives in performing its oversight mission, requested by Chairman Towns, and an audit of PRC's Information Security policies, including policies related to the prevention of unauthorized access to nonpublic information stored electronically.

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 policies regarding the handling of nonpublic information.

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 annual and 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. OIG has been informed that CIGIE's audit peer review schedule is currently being revised.

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

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