

POSTAL REGULATORY COMMISSION

OFFICE OF INSPECTOR GENERAL



SEMIANNUAL REPORT TO CONGRESS

April 1, 2008 through September 30, 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 continued to make progress toward implementing PAEA. The Commission issued notices of proposed rulemaking on complaints, periodic reporting, and competitive product accounting, and held public proceedings on a study on universal service and postal monopolies. In April 2008, the Commission launched a new website.

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. In June 2008, Nanci E. Langley was sworn in as a Commissioner, bringing the Commission up to its full complement of five.

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. During the reporting period, OIG was assisted in the conduct of its audits by three 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 (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 and initiated one additional audit. These are summarized below:

INTERNAL CONTROLS OVER MISCELLANEOUS RECEIPTS AUDIT REPORT AR-08-01A-02

As a result of information developed during an audit of the Commission's imprest fund (AR-08-01A-01), OIG initiated an audit of the Commission's controls over miscellaneous receipts, which include rebates from purchases, refunds, and various other funds collected by the Commission. OIG found that the Commission's internal controls over these receipts were inadequate. As a result, there was no assurance that funds owed the Commission were collected, and receipts totaling \$200,658.74 were allowed to accumulate in two checking accounts without adequate oversight and with increasing risk of misuse. At OIG's recommendation, the Commission returned these funds to the Postal Service Fund.

FISMA COMPLIANCE AND INFORMATION SECURITY CONTROLS

During the reporting period, OIG initiated an audit of the Commission's compliance with the Federal Information Security Management Act and to determine whether information security control issues in a prior audit (AR-07-02A-01) had been adequately addressed. This audit 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 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 twenty hotline contacts, mainly via

electronic mail and telephone. Many were complaints regarding the United States Postal Service, which OIG forwarded for action.

OIG did not refer any cases to prosecutors during the reporting period.

INSPECTION AND EVALUATION

At the request of Chairman Danny K. Davis of the House Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, OIG initiated a review of the role of a contractor in preparing the Commission's study of the Postal Service's universal service obligation and monopolies. That review was ongoing at the close of 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 comments regarding draft Commission regulations and policies, including revised procedures for adjudicating complaints against the Postal Service, revised information security management policies, and a revised alternative work schedule policy. Due to an administrative error, OIG was not provided the opportunity to review the Commission's proposed regulations regarding Postal Service competitive product accounting and the computation of an imputed income tax on competitive products.

LIAISON ACTIVITIES

The Inspector General is a member of the Executive Council on Integrity and Efficiency, which consists primarily of Inspectors General established under section 8(G) of the IG Act. During the reporting period, the Inspector General attended all but one of the ECIE's monthly meetings and an annual joint conference between the ECIE and the President's Council on Integrity and Efficiency. The Inspector General also participated in meetings of a working group examining transition issues raised by proposed amendments to the IG Act.

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

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.	1	3	\$200,658.74
Subtotals (A+B)	1	3	\$200,658.74
C. For which a management decision was made during the reporting period.	1	3	\$200,658.74
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.**