



OFFICE OF INSPECTOR GENERAL  
Washington, DC 20091-0001

April 30, 2009

The Honorable Dan G. Blair  
Chairman  
Postal Regulatory Commission  
901 New York Avenue, NW, Suite 200  
Washington, DC 20268-0001

Dear Chairman Blair:

I am pleased to enclose the Office of Inspector General's Semiannual Report to Congress.

This report covers audits, investigations and other reviews conducted by the Office of Inspector General from October 1, 2008 through March 31, 2009.

In accordance with Section 5(b) of the Inspector General Act of 1978, please transmit this report to the appropriate House and Senate Committees by May 30, 2009, along with the Postal Regulatory Commission's report on audit recommendations and any comments you may have.

I greatly appreciate the continued assistance you, the Commissioners, and the Commission's staff have provided to the Office of Inspector General. I look forward to continuing to work with you to improve Commission operations in the future.

Sincerely,

Jack Callender  
Inspector General

# **POSTAL REGULATORY COMMISSION**

## **OFFICE OF INSPECTOR GENERAL**



## **SEMIANNUAL REPORT TO CONGRESS**

October 1, 2008 through March 31, 2009

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# **INTRODUCTION**

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## **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 its jurisdiction to include international mail and service standards, and charged the Commission with implementing a new system of postal rate regulation.

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 October 2008, Commissioner Ruth Goldway was sworn in to a third term on the Commission, and Commissioner Nanci Langley was elected the Commission's Vice Chairman.

By the end of the reporting period, the Commission had completed most of the remaining tasks towards implementing PAEA. Most significantly, the Commission issued its PAEA-required report on universal postal service and the postal monopoly, as well as its second Annual Compliance Determination and second market-dominant rate case under the new system. The Commission also hosted a conference of international postal regulators.

## **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 during the reporting period by four auditors on detail from the United States 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 and one inspection report, and initiated two additional audits. These are summarized below:

### **FINAL AUDIT REPORT: FISMA COMPLIANCE AND INFORMATION SECURITY CONTROLS**

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. OIG found that the Commission had made substantial progress towards FISMA compliance, and towards implementing the recommendations of the prior audit report. The final audit report included three recommendations. Management agreed with these recommendations, and set target dates for the implementation of each.

### **FINAL INSPECTION REPORT: CONDUCT OF THE STUDY ON UNIVERSAL POSTAL SERVICE AND THE POSTAL MONOPOLY**

At the request of Representative Danny K. Davis, then Chairman 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. The review found that the contractor was providing research and technical analysis on nine topics relevant to the Commission's study, while the Commission was drafting the report and making all policy determinations. OIG's report recommended that the Commission release the contractor's work product to the public upon publication of the study. Also, OIG's report recommended that future contracts include, when appropriate, clear deadlines for performance with penalties for late performance. Management agreed with both recommendations, and released the contractor's work products when its study was published on December 19, 2008.

### **ONGOING AUDITS**

During the reporting period, OIG initiated audits of the Commission's policies

and procedures regarding travel and personnel management. Both audits were 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 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 to prosecutors 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 comments regarding draft Commission regulations and policies, including revised Privacy Act rules of conduct, and draft regulations on treatment of confidential material.

### **LIAISON ACTIVITIES**

The Inspector General is a member of the Council of Inspectors General on Integrity and Efficiency (CIGIE), which was established during the reporting period pursuant to the Inspector General Reform Act of 2008. During the reporting period, the Inspector General attended monthly meetings of CIGIE, as well as those of its predecessor organization, the Executive Council on Integrity and Efficiency. The Inspector General also attended an annual IG-GAO coordination meeting.

# 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

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## AUDIT REPORTS WITH QUESTIONED COSTS

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	<b>Number of Reports</b>	<b>Number of Recommendations</b>	<b>Questioned Costs</b>	<b>Unsupported Costs</b>
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.**