



OFFICE OF INSPECTOR GENERAL
Washington, DC 20268-0001

October 31, 2007

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 first Semiannual Report to Congress.

This report covers audits, investigations and other reviews conducted by the Office of Inspector General from its establishment in late June, 2007 through September 30, 2007.

In accordance with Section 5(b) the Inspector General Act of 1978, please transmit this report along with the Postal Regulatory Commission's report on audit recommendations along with any comments you may have, to the appropriate House and Senate Committees by November 30, 2007.

I greatly appreciate all of the assistance you, the Commissioners, and the Commission's staff have provided in establishing the Office of Inspector General. I look forward to continue working 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

Period Ending September 30, 2007

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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's transition was ongoing. Remarkably, the Commission published a notice of proposed rulemaking on a large portion of the new ratemaking system on August 15, 2007, ten months before the deadline for final rules set by the PAEA. At the same time, the Commission continued to process cases filed under the old law, including six pending mail classification cases.

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.

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 one permanent full time employee (the Inspector General), one auditor on detail from the United States Postal Service Office of Inspector General, and received administrative support from the Commission's Office of Consumer Advocate.

ACTIVITIES OF THE OFFICE OF INSPECTOR GENERAL

Audit Activities

Under the Inspector General Act of 1978 as amended, 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 initiated an audit of the Commission's information security governance and planning. This audit was still ongoing at the close of the reporting period.

Investigative Activities

Under the Inspector General Act, OIG receives and investigates allegations of fraud waste, abuse or misconduct within Postal Regulatory 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 "Contact Information," Page 8).

During the reporting period, OIG received four hotline contacts, all via electronic mail. Of these, two were referred to the Postal Service Office of Inspector General, one was referred to the Department of Veterans Affairs Office of Inspector General, and one was referred to the Postal Inspection Service.

Other Activities

Regulatory Review

During the reporting period, OIG reviewed drafts of proposed Postal Regulatory Commission rules and notices. The OIG provided comments regarding draft proposed regulations to establish a system of ratemaking for market dominant products (Order No. 26, Docket No. RM2007-1) as well as draft revisions to the Commission's email policy.

Liaison Activities

The Inspector General is a member of the Executive Council on Integrity and Efficiency, which consists primarily of IGs established under section 8(G) of the IG Act. During the reporting period, the Inspector General attended four meetings of the Council, including a joint meeting with the President's Council on Integrity and Efficiency. OIG has also coordinated its activities with the Government Accountability Office.

Inspection and Evaluation

OIG initiated reviews of several aspects of ratemaking under the Postal Reorganization Act of 1970. This work was still ongoing at the close of the reporting period.

OIG also participated in the Postal Regulatory Commission's Fiscal Year 2007 report under the Federal Information Security Management Act (Title III of Public Law 107-347).

INSPECTOR GENERAL ACT REPORTS

Section 5(a) of the Inspector General Act requires the following information to be included in semiannual reports.

- 5(a)(1)** Significant problems, abuses or deficiencies identified
OIG issued no final audit reports through September 30, 2007.
- 5(a)(2)** Recommendations for corrective action
OIG issued no final audit reports through September 30, 2007.
- 5(a)(3)** Open recommendations from previous semiannual reports
OIG was established during the period covered by this report.
- 5(a)(4)** Matters referred to prosecutors, disposition
None.
- 5(a)(5)** Reports of information or assistance unreasonably withheld
None.
- 5(a)(6)** Listing by subject of audit reports issued
OIG issued no final audit reports through September 30, 2007.
- 5(a)(7)** Summary of particularly significant reports
OIG issued no final audit reports through September 30, 2007.
- 5(a)(8)** Statistical table – questioned costs
Table I
- 5(a)(9)** Statistical table – recommendations that funds be put to better use
Table II
- 5(a)(10)** Audit reports from prior reporting periods for which no management decision had been made
OIG was established during the period covered by this report.
- 5(a)(11)** Significant revised management decisions
OIG issued no final audit reports through September 30, 2007.
- 5(a)(12)** Significant management decisions with which the IG is in disagreement
OIG issued no final audit reports through September 30, 2007.
- 5(a)(13)** Information under section 05(b) of the FFMIA
None.

Table I – 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

CONTACT INFORMATION

In our mission to detect and prevent waste, fraud and abuse and to promote efficiency and economy, OIG relies on information provided by PRC staff and the general public.

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