

POSTAL REGULATORY COMMISSION
OFFICE OF INSPECTOR GENERAL



SEMIANNUAL REPORT TO CONGRESS

April 1, 2011 through September 30, 2011

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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 began to review a Postal Service request for an advisory opinion on its plan to consider closing approximately 3,700 post offices. Over the course of fiscal year 2011, the PRC docketed 103 appeals of Postal Service retail facility closures, more than in any other year. OIG expects that if the Postal Service carries out plans to close thousands of retail facilities, PRC will be required to expend an increasing proportion of its resources processing appeals, absent any other changes.

On June 30, 2011, Commissioner Dan G. Blair retired from the Commission. On September 26, 2011, the Senate confirmed the nomination of Vice Chairman Mark Acton for a second term on the Commission. The Senate also confirmed the nomination of Robert Taub to replace Commissioner Tony Hammond. Commissioners Acton's and Taub's terms expire on October 14, 2016.

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 three full-time employees—the Inspector General, a senior auditor and an administrative assistant. OIG was assisted during the reporting period by an independent referencer on detail from the United States Postal Service Office of Inspector General.

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: PRC CONTRACTING PRACTICES: ACQUISITION PLANNING

OIG initiated a review of the PRC's contracting practices, specifically acquisition planning. OIG found that PRC's acquisition planning and strategies did not comply with its policy to minimize contract risk. Specifically, we found that PRC management did not prepare acquisition plans necessary to show PRC's overall strategy to accomplish and manage their contracts. OIG made five recommendations for PRC to adhere to their purchasing policies and procedures and to ensure staff completes all contract training requirements. PRC management agreed with and committed to implementing all recommendations.

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 hiring, student loan repayment program and imprest fund policies.

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 monthly meetings of CIGIE as well as meetings of CIGIE's Legislation Committee.

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 is scheduled to undergo its first peer review of its audit operations for the period ending September 30, 2011. OIG is scheduled to conduct a peer review of Federal Maritime Commission's audits for the period ending September 30, 2012.

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.**