

POSTAL REGULATORY COMMISSION
OFFICE OF INSPECTOR GENERAL



SEMIANNUAL REPORT TO CONGRESS

October 1, 2012 through March 31, 2013

TABLE OF CONTENTS

	PAGE
Introduction.....	2
Activities of the Office of Inspector General	3
Inspector General Act Reports	5
Contact Information.....	8

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 approved a Postal Service request to raise postal mail price increases finding that the new prices are at or below the Consumer Price Index cap of 2.570 percent and meet all other statutory requirements. Also during the reporting period, the PRC issued its Annual Compliance Determination (ACD) evaluating the pricing, service performance, and financial situation of the Postal Service in fiscal year 2012. The ACD is the primary tool established by the Postal Accountability and Enhancement Act to ensure that the Postal Service is accountable for and transparent in its operations and service to the public.

On January 1, 2013, Commissioner Robert Taub, who was elected by his colleagues, succeeded Commissioner Nanci Langley as PRC Vice Chairman for a term of one year.

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 in the conduct of its audits and inspections during the reporting period by auditors on detail from the 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 audit report which is summarized below:

FINAL AUDIT REPORT: USE OF PRC PURCHASE CARDS

OIG initiated an audit of PRC purchase card transactions to determine whether PRC personnel complied with purchase policies, and whether purchases were supported and made for business purposes. Although purchases were made for business purposes, PRC personnel did not always comply with purchase card policies. As a result, internal control weaknesses existed, placing the PRC at risk of significant financial loss. OIG made four recommendations for PRC to implement controls to adhere to the single purchase dollar amount limit, implement comprehensive policies and procedures for purchase card use and purchases of refreshments, adopt the Postal Service's AS-709 Purchase Card policy on an interim basis, and perform an analysis of historical and projected purchase card transactions. PRC management agreed with and committed to implementing all recommendations.

ONGOING AUDITS AND EVALUATIONS

At the close of the reporting period, the following project was ongoing; an inspection of PRC's certification of invoice practices to assess whether PRC officials properly certified invoices to ensure goods and services are received prior to paying invoices.

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 travel and reasonable accommodation 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

During the reporting period, the OIG completed a peer review of Federal Maritime Commission Office of Inspector General (FMC OIG) pursuant to *Government Auditing Standards* requirements. A final report was issued to the Interim FMC IG on March 28, 2013. FMC OIG has posted the system review report on its website.

OIG received its first peer review of its audit operation, which was completed by the Federal Trade Commission Office of Inspector General on March 26, 2012. OIG received a rating of Pass. A copy of the PRC system review report is available on the OIG website

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.**