

POSTAL REGULATORY COMMISSION
OFFICE OF INSPECTOR GENERAL



SEMIANNUAL REPORT TO CONGRESS

April 1, 2014 through September 30, 2014

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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 revised its procedures for adjudicating Postal Service requests for Advisory Opinions on major changes to postal services. Under these new rules, the Commission will issue advisory opinions in 90 days or less while still meeting the requirements of the Administrative Procedure Act. Also during the reporting period, the PRC invited public comments on the meaning of “other public services or activities” by the Postal Service for cost reporting in its Annual Report to the President and Congress. The Commission’s 2013 Annual Report estimated the costs of delivering mail six days a week instead of five days, and revenue “lost” from unzoned First-Class Mail and Library/Media rates. The Commission noted that this approach may be too narrow and sought comments on the cost of other Postal Service activities.

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, INSPECTIONS 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.

OIG conducts these reviews in accordance with either Generally Accepted Government Audit Standards or with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspections.

FINAL AUDIT REPORT: PRC TRAVEL EXPENSES

OIG initiated an audit of PRC Travel Expenses to assess whether PRC travel expenses were properly supported, were reasonable, and complied with policy. The audit did not address whether the travel was necessary or justified in carrying out the Commission's responsibilities.

Our review revealed that the PRC did not always comply with established travel policies or properly support travel expenses. In addition, we found travel approvals were not always in compliance with recommendations made by Senator Carper. Furthermore, the PRC did not effectively monitor travel card activities and processes. The report includes ten recommendations for PRC to improve the travel policy and procedures and monitor travel card activities. The PRC agreed with nine of the recommendations, but disagreed with a recommendation to improve the review of requests for international travel and high-dollar domestic travel.

ONGOING AUDITS, INSPECTIONS AND EVALUATIONS

At the close of the reporting period, one inspection was ongoing. The objective of the inspection is to assess whether PRC imprest funds were properly accounted for and administered according to PRC policy. We will also follow up on recommendations made in a prior OIG audit.

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 reviewed revisions to PRC's Travel Policy that were made in response to audit recommendations.

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

PEER REVIEW

OIG received its first peer review of its audit operations, 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	Page 3
Section 5(a)(2)	Recommendations for corrective action	Page 3
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.**