

POSTAL REGULATORY COMMISSION
OFFICE OF INSPECTOR GENERAL



SEMIANNUAL REPORT TO CONGRESS

April 1, 2016 through September 30, 2016

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 outlined its plan for 10-year review of system of regulating rates and classes for Market Dominant products, as specified by the Postal Accountability and Enhancement Act (PAEA) in 2006. The PAEA mandated that the Commission review this system after 10 years to determine if it is achieving the objectives established by Congress.

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.

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 and inspections relating to programs and operations of the Postal Regulatory Commission.

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

ONGOING AUDITS, INSPECTIONS AND EVALUATIONS

At the close of the reporting period, two inspections were ongoing: (1) A review of the PRC's budget process and (2) A review of the PRC's Student Loan Repayment Program (SLRP) and tuition reimbursement program. OIG is conducting these reviews in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation.

The objective of our review of the PRC's budget reporting process is to determine whether PRC budget reporting was properly documented and whether the expenses were properly classified. The scope of our review included PRC expenses from October 1, 2014 through December 31, 2014.

The objectives of our review of the PRC's Student Loan Repayment Program (SLRP) and tuition reimbursement program are to determine whether PRC complied with the SLRP and tuition reimbursement policies. The scope of our review includes SLRP and tuition reimbursement payments made to PRC employees during Calendar Years 2014 and 2015.

At the close of the reporting period, OIG was also conducting a peer review of National Endowment for the Humanities' audits for the period ending March 30, 2016.

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. OIG did not review any draft policies during the reporting period.

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. The Inspector General attends meetings of CIGIE and serves on CIGIE's Legislation and Professional Development Committees.

PEER REVIEW

The most recent audit peer review of the PRC OIG was performed by the Appalachian Regional Commission Office of Inspector General on June 8, 2015. The report stated that the system of quality control for the audit organization of the PRC OIG in effect for the year ended September 30, 2014, has been suitably designed and complied with to provide the PRC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. 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) | Significant 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 | None |
| Section 5(a)(7) | Summary of particularly significant reports | None |
| 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.**