Postal Regulatory Commission
Congressional Budget Justification
(Performance Budget Plan)

Fiscal Year 2015
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Executive Summary

The Postal Regulatory Commission is an independent establishment created by the Postal Accountability and Enhancement Act (PAEA) in 2006 to provide strengthened oversight of the United States Postal Service. The Commission promotes high quality universal mail service for the American people by ensuring Postal Service transparency, accountability and compliance with the law. The Commission is the primary regulator of the Postal Service and works to provide a window on postal financial operations to Congress, stakeholders and the general public.

Over the last several years, because of the significant financial difficulties being experienced by the Postal Service, the Commission has experienced a complex and increasing workload. To ameliorate its growing financial losses, the Postal Service has implemented and will continue to propose a broad range of initiatives affecting operations and service to the public. These proposals have necessitated greatly increased regulatory activity by the Commission. Since FY 2009, the Commission’s docketed cases have increased significantly in complexity, particularly those related to changes in nature of service. This has required an ever expanding number of staff hours to produce the required analysis for Congress and the Postal Service in a timely manner.

The workload experienced in FY 2013 was not as anticipated, as the Postal Service cancelled plans to close a significant number of post offices throughout the country. This allowed the Commission to delay planned staffing increases and accommodate workload peaks through the use of contracted personnel. The Commission believes this was a prudent course of action, particularly in light of future funding uncertainty, but not sustainable in the longer term. The Commission anticipates that the complexity of cases will continue to rise, and that research will need to be expedited to provide relevant and constructive decisions, reports and analyses to the Postal Service and the Congress. The Commission therefore plans to increase staffing to 77 Full Time Equivalents by FY 2015. After the required allowance for Commissioners and their personal staff, and necessary administrative personnel, this would provide 50 highly skilled professional staff to perform the analytic work that is key to the Commission’s regulatory responsibilities. This is an investment of resources to protect the interests of the American public who rely on the use of postal services, as well as the significant portion of the economy affected by the services and cost of postal operations.

In anticipation of future workload, measures were implemented starting in 2009 to both improve efficiency and productivity and to streamline processes to reduce costs. As a result of these actions, the Commission has been able to work within a funding level that has remained constant for six years while accommodating the increased cost of personnel benefits, other operating costs such as rent, and critical IT modernization including maintenance and modernization of the docketing system.
As part of its Human Capital planning, the Commission has benchmarked personnel compensation slightly above that of comparable agencies to attract the professional staff required. While this adds to the funding requirements in FY 2015, we believe it is a necessary step to allow the Commission to fulfill its responsibilities.

The Commission requests a budget of $15,283,000 which will allow staffing at the level of 77 Full Time Equivalent positions and the further improvement of the electronic docketing system. This request is designed to preserve the Commission’s capacity to meet its statutory obligations, including timely responses to a growing number of Postal Service restructuring proposals that decrease cost and new product initiatives that increase revenue.

The Commission’s funding comes directly from the postal rates and fees paid by postal customers through the Postal Fund and not from tax receipts. The PAEA seeks to ensure the Commission’s independence by authorizing the submission of its budget request to the Congress separate from the Postal Service.
Mission

Ensure transparency and accountability of the United States Postal Service and foster a vital and efficient universal mail system

Guiding Principles

The Commission is committed to and operates by the principles of:

- Openness
  - Public participation
- Integrity
  - Fairness and impartiality
  - Timely and rigorous analysis
- Merit
  - Commitment to excellence
  - Collegiality and multi-disciplinary approaches
- Adaptability
  - Proactive response to the rapidly changing postal environment
Background

The Commission is an independent establishment of the Executive Branch, composed of five Commissioners, each appointed by the President, with the advice and consent of the U.S. Senate, for a term of six years. The Chairman is designated by the President and serves as the head of the agency. A Commissioner may continue to serve after the expiration of his or her term for up to one year. No more than three members of the Commission may be from the same political party.

Assisting the Commission is a staff with expertise in law, economics, finance, statistics, and cost accounting. The Commission is organized into four operational offices:

- Accountability and Compliance;
- General Counsel;
- Public Affairs and Government Relations;
- Secretary and Administration; and

The Commission maintains an independent office for its Inspector General.

The Commission has exercised regulatory oversight over the Postal Service since its creation by the Postal Reorganization Act of 1970. For 36 years, this oversight consisted primarily of conducting public, on-the-record hearings concerning proposed rate changes, mail classification, major service changes, and recommending decisions for action by the Postal Governors.

The Postal Accountability and Enhancement Act (PAEA), enacted on December 20, 2006, produced the most significant changes in the regulatory landscape for the U.S. Postal Service and the U.S. postal system since 1970. The Act is founded on the principles of flexibility, transparency, accountability and predictability. The Commission’s role is to ensure that the Postal Service provides adequate service to the nation by providing transparency and accountability in postal operations, services and finances.

Under the PAEA, the Commission has responsibility for hearing appeals of determinations by the Postal Service to close or consolidate post offices. The Commission may affirm the Postal Service’s determination or order that the entire matter be returned to the Postal Service for further consideration. The Commission is required to set aside such determinations found to be: (a) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the law; (b) without observance of procedure required by law; or (c) unsupported by substantial evidence on the record.

The PAEA requires the Commission to develop and maintain regulations for a modern system of rate regulation, consult with the Postal Service on delivery service standards and performance measures, consult with the Department of State on international postal policies, prevent cross-subsidization or other anticompetitive postal practices, inform the public, and adjudicate complaints. Additionally, it provides regulatory oversight of the pricing of the Postal Service’s products and services while serving as a forum to act on complaints pertaining to postal products and services.
The PAEA also assigns new and continuing oversight responsibilities to the Commission, including annual determinations of Postal Service compliance with applicable laws, development of accounting practices and procedures for the Postal Service; review of the Universal Service Obligation and Postal Monopoly; and assurance of transparency through periodic reports. New enforcement tools include subpoena power, authority to direct the Postal Service to adjust rates and to take other remedial actions, and levying fines in cases of deliberate noncompliance with applicable postal laws.
Postal Regulatory Commission Achievements in Fiscal Year 2013

Fiscal Year 2013 was a demanding year for the Commission with 130 active cases. Many of these were complex and involved high visibility policy decisions. The Commission also responded to over 4,000 inquiries from the public. This volume is expected to remain high due to the impact of proposed changes in service by the Postal Service. The Commission also began work on a website redesign and content modification to maximize usability by the Commission, postal stakeholders and the general public.

The Commission published its Annual Compliance Determination (ACD) and its Annual Report. As an outgrowth of the ACD, the Commission initiated an inquiry into the Postal Service’s Competitive Products Fund.

The Commission considered 11 postal rate price adjustment requests by the Postal Service for Market Dominant and Competitive products. The Commission also reviewed 10 Postal Service proposals to revise its costing methodologies and approved 79 Negotiated Service Agreements between the Postal Service and mailers.

The Commission published the Mail Classification Schedule (MCS), which documents prices and classifications for all Postal Service products. The MCS is publicly available on the Commission’s website and is regularly updated to reflect all changes to the Postal Service’s product lines throughout the year. The Commission also reviewed 13 proposed changes to the Market Dominant and Competitive Products Lists on the MCS.

During FY 2013, the Commission took under review 10 new complaint cases. The PAEA gives the Commission enhanced authority to respond to complaints regarding pricing, service, or other actions by the Postal Service alleged to be in violation of law. Complaint cases often involve complex matters requiring investigation and review.

The Commission also resumed consideration of an appropriate remedy in a complaint proceeding in which the Commission had previously found the Postal Service to have engaged in unlawful discrimination against a mailer of DVDs. The Commission’s original remedy was successfully challenged on appeal by the mailer and was remanded by the appellate court for further investigation by the Commission.

Additionally, the Commission:

- Published proposed rules for expediting complaint cases involving allegations of unfair competition by the Postal Service.
- Published proposed rules for streamlining Advisory Opinions on nationwide changes in postal service requested by the Postal Service under 39 U.S.C. § 3661, and received extensive and thoughtful comments from the public.
• Published proposed rules providing guidance on Price Cap calculations associated with promotional or temporary rates, and received extensive and thoughtful comments from the public.

• Reviewed the calculation of the cost of the Postal Service’s universal service obligation and the value of the letter monopoly and the mailbox monopoly.

• Worked on estimating the savings to the Postal Service for reducing the delivery of mail from 6 days to 5 days while maintaining 6-day delivery for package service.

• Approved a change in analytical principles defining the benchmark used for calculating worksharing discounts for certain types of First Class Mail.

• Harmonized work-sharing avoided cost models across classes.

• Developed a set of decision rules to provide greater transparency in the review of rates and classification proposals under consideration by the Universal Postal Union (UPU).

In the International Policy arena, the Commission:

• Submitted a Supplemental View to the U.S. Department of State on rates and classifications under consideration by the UPU.

• Continued to support the State Department at UPU meetings, serving on the U.S. delegation.

• Participated in the Postal Regulatory Dialogue for postal regulators.

• Maintained and updated documents relating to the Commission’s international statutory responsibilities on the Commission website.

Administratively:

The Commission continued its commitment to transparency through its Freedom of Information Act (FOIA) program, and received the highest rating in nearly every category on the Assessment of Agency Progress from the Department of Justice. The Commission received and processed 23 requests for records during the fiscal year.

The Commission improved its Records Management program, including drafting a revised Records Schedule and completion of a Records Management evaluation. In addition, the Commission worked with the National Archives to ensure compliance with new directives.

The Commission continued to focus on cost savings to maximize use of appropriated funds, as well as strengthening financial management processes including regular internal financial and performance reviews and implementing cost savings/cost avoidance projects, including mailing/postage process improvement and updating its travel policy and process, as recommended by Congress.
The Commission made improvements to its dockets infrastructure through the redesign of its dockets application, including working on an automated application to strengthen the protected materials process. Additionally, the Commission began implementation of virtual workstations to improve security within the Commission and lower Information Technology costs. It conducted a security assessment and implemented physical security improvements for its facility to ensure the safety of Commission staff and members of the visiting public.

The Commission continued to refine human resources management by:

- Improving the performance management process, including enhanced accountability and transparency.
- Updating pay analysis and policy.
- Conducting an annual all-PRC briefing by the Commission Secretary.
- Conducting meetings of the Performance Review Board.
- Preparing a formal Leadership Development program.

In FY 2012’s Federal Employee Viewpoint Survey, the Commission was named a top 10 “Best Places to Work,” and had the third highest response rate among very small agencies. It developed and implemented an Action Plan in response to the survey results.

The Commission continued strengthening its internal audit program by enhancing purchasing policies and procedures.
Budget Overview and Highlights for Fiscal Year 2015

The PAEA requires the Commission to execute a broad range of responsibilities, relying on a staff with a unique mix of skills and abilities and modern information technology systems to ensure enhanced communication with the public.

Over the last several years, the Commission has accommodated an increasing and complex workload, as well as higher operating costs, within funding levels that have remained constant. This has been achieved by adhering to the spirit of administration guidance on personnel compensation, implementing formal performance management policy and procedures and numerous management efficiencies. For example, office space was reconfigured to house increased staff within existing office space and rent was renegotiated for leased space to below market rates. Nevertheless, professional staff costs have still risen 20% since FY 2009 largely due to the increasing cost of benefits, and rent will increase by 2.2% annually.

Because of the small size of the organization, with a budget dominated by personnel salaries and benefits and other relatively fixed costs such as rent, the Commission can no longer adequately deal with the workload being experienced without an increase in funding. The Commission is therefore requesting a budget of $15,283,000, an increase of about 7%. This funding level will allow staffing to our current authorized complement of 77 FTEs to better respond to Postal Service transformation initiatives and other docketed cases, as well as the resources to properly maintain and improve the docketing system. This will enable the Commission to react quickly to proposals for restructuring and new products so that it can provide advice that is relevant to the decision-making process.

The Postal Service’s efforts to adjust to national changes in mail usage will require the Commission to continue to hear cases of major national policy import. The Commission may need to review Postal Service proposals to right size its network and will provide oversight as the Postal Service tries to make greater use of its pricing flexibility under the PAEA. The Commission expects to apply substantial resources to measure the impact of changes implemented by the Postal Service and to fully evaluate and respond to new ideas that result in Postal Service innovative products and services, greater efficiencies, and cost savings.

As the Postal Service implements changes to operating hours, delivery service and the processing infrastructure, the Commission expects to adjudicate many highly complex cases to ensure that service standards are not degraded. Additionally, the Commission expects the Postal Service to propose the introduction of new products, services and Negotiated Service Agreements to generate additional revenue. The Commission must review these initiatives and service agreements to ensure a predictable, transparent and effective system of rate and product regulation that complies with the law. Inevitably, a large volume of dockets is expected to continue.

As in previous years, the Commission will issue its primary regulatory document, an Annual Compliance Determination assessing the Postal Service’s compliance with the ratemaking regulations and applicable laws. In the report, the Commission will review and determine whether market dominant rates are within the Consumer Price Index (CPI) rate cap, and whether competitive products are subsidized by market dominant products, and that competitive products pay their attributable costs as
well as appropriate share of fixed postal costs. The Commission will undertake special studies requested by the Postal Service, Congress, or as needed to complete its statutory responsibilities.

The Commission will continue its active involvement representing United States delegation interests in the Universal Postal Union (UPU) in promoting greater transparency and accountability. The Commission will work through an interagency process led by the Department of State to review and negotiate proposals for adoption at the UPU, provide continued leadership at the bilateral and multilateral level, and promote the exchange of information and best practices among postal regulators around the globe.

Progress will continue in developing a modern supporting infrastructure. The Commission will continue to ensure that its Records Management program is fully coordinated with the National Archives, and invest in Information Technology (IT) that will ensure the security and stability of key applications and infrastructure. In FY 2015, the Commission’s primary focus will be support and maintenance for Commission dockets. We will also focus on those systems and applications that facilitate transparency and public access and that directly impact the productivity and efficiency of the staff. We will also continue to invest resources to improve information security, ensuring compliance with Managed Trusted Internet Protocol Services (MTIPS) by the end of FY 2015.

Activities in FY 2015 have the potential to vary significantly depending on the Postal Service’s financial challenges and potential structural and service changes. If the postal network continues to be consolidated, it is likely that the Commission will experience an increase in rulemakings seeking to change analytical principles, post office appeals, complaints, and depending on the nature of those changes, requests for advisory opinions on changes in the nature of postal services.

The Commission anticipates many new challenges as the Postal Service and interested stakeholders explore legal boundaries under the PAEA. For example, the Commission expects an increasing number of contentious cases involving requests to expand the number of Postal Service competitive product offerings, either through the creation of a new competitive product or the transfer of an existing market dominant product to the competitive product list. Each year, the Commission has experienced unexpected and time consuming proceedings, each of which has made significant demands on the Commission’s resources.
The Commission’s FY 2015 Performance Budget Plan has four programs consisting of: (1) Postal Service Accountability; (2) Public Access and Participation; (3) Integration and Support; and (4) the Office of the Inspector General. These programs are aligned with the goals contained in the Commission’s Strategic Plan for FY 2013 – FY 2017.

<table>
<thead>
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<th>Program</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015 Request</th>
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<tr>
<td></td>
<td>$000</td>
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<td>Postal Service Accountability</td>
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<td>Public Access &amp; Participation</td>
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<td>Office of Inspector General</td>
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<td>Total</td>
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*This is the full amount requested by the Inspector General to fund OIG personnel (including detailees), travel, training, and CIGIE dues.

**Proposed Appropriations Language**

*Postal Regulatory Commission*

**Salaries and Expenses**

*(including transfer of funds)*

For necessary expenses of the Postal Regulatory Commission in carrying out the provisions of the Postal Accountability and Enhancement Act (Public Law 109-435), $15,283,000, to be derived by transfer from the Postal Service Fund and expended as authorized by section 603(a) of such Act: Provided, That unobligated balances remaining in this account on October 1, 2015 shall be transferred back to the Postal Service Fund.
## Obligation by Object Classification

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<th>OBJECT CLASSIFICATION</th>
<th>FY 2013</th>
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<th>FY 2015</th>
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<td>Contractual services</td>
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<td>Consulting services</td>
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<td>Total Obligations</td>
<td>14,275</td>
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Strategic Goal 1: Postal Service Accountability

Performance Objectives

A. Financial Accountability and Compliance
Ensure lawful, transparent, accurate, and informative Postal Service reporting sufficient for evaluation of lawful compliance financial performance.

FY 2015 Work Plan:
1. Review and evaluate Postal Service financial data.
2. Analyze annual compliance reports from the Postal Service, determine Postal Service compliance and report findings through an Annual Compliance Determination Report.
3. Enforce compliance determinations.
4. Review and evaluate Postal Service international data and proposals for the UPU.

The Commission will measure success by the timeliness, thoroughness and accuracy of products.

B. Service Performance Evaluation
Ensure appropriate and transparent Postal Service performance standards and measurements to promote an efficient, effective, and responsive mail service.

FY 2015 Work Plan:
1. Execute a visible and effective advisory role in regard to Postal Service proposals for changes in the nature of U.S. Postal Services. Issue special reports on evaluation of potential policy and systemic changes.
2. Evaluate on an annual basis, compliance with standards for service performance (39 U.S.C. § 3653); continue to evaluate the extent to which the Postal Service must use an external versus an internal measurement system.
3. Consult on, revise, and augment performance standards and goals for market-dominant products.

The Commission will measure success by the timeliness, thoroughness and accuracy of products.
C. Modern Product Regulation
Maintain and improve a predictable, transparent and effective system of rate and product regulation.

FY 2015 Work Plan:
1. Refine and augment the modern system for regulating rates and classes for market-dominant products.
2. Assess and refine the rules, regulations, and systems established for the publication of relevant Postal Service data.
3. Review and evaluate Postal Service proposals to move products between market-dominant and competitive product classifications.
4. Review, analyze, and evaluate work-share discounts, negotiated service agreements, and market tests. Issue timely, accurate reports and findings on these reviews.

The Commission will measure success by the timeliness, thoroughness and accuracy of its products.
**Strategic Goal 2: Public Access to Information and Participation**

**Performance Objectives**

**A. Public Participation and Government Relations**

The Commission is accessible to all stakeholders and ensures U.S. Postal Service accountability through a fair and open public complaint process.

**FY 2015 Work Plan:**

1. Maintain and update comprehensive strategy for outreach to the public and media. Implement consistent messaging, updating, and branding for public documents and the Commission’s website.

2. Continue to enhance government relations through proactive outreach and relationship building with Congress, the Executive branch, Federal, State, and local governments.

3. Maintain a timely system to track, analyze, and respond to public and consumer inquiries and correspondence, including “informal complaints.”

4. Complete Commission website redesign to maximize usability by Commission, postal stakeholders and the general public.

5. Review and modify the content of the Commission website as necessary.

6. Identify legislative and public affairs priorities.


The Commission will measure success by responding to public inquiries within 72 hours, barring exceptional circumstances.

The Commission will send follow-up surveys to informal complainants assisted by the Postal Service.

**B. Appeal and Complaint Process**

Ensure Postal Service accountability through fair and open appeal and public complaint processes that provide appropriate and timely resolution.

**FY 2015 Work Plan:**

1. Maintain a consistent, transparent and equitable formal complaint system that provides timely and proper due process to complainants and the Postal Service.

2. Develop procedures and resources for handling an expanding numbers of appeals and complaint cases, such as from post office closings.

3. Identify patterns in appeals and complaints and order appropriate remedies to achieve compliance.
The Commission will measure success by:

- Percentage of post office appeals resolved within 120 days.
- Percentage of formal complaints in which affirmative action was taken within 90 days.
- Percentage of rate and service inquiries in which responsive information is obtained within 60 days.
- Review and update as necessary procedures for appeals and complaints at least every 5 years.

C. Representation of the Public in Commission Proceedings
Assure informed and responsive representation of the interests of the general public in all Commission proceedings.

FY 2015 Work Plan:
1. Conduct public outreach through traditional media, technology tools, and other methods to assure wide public notice of all Commission proceedings.
2. Review and simplify processes through which members of the public may provide their input to the Commission’s decision-making processes.
3. Review and improve program to enhance performance of those appointed to represent the interests of the general public in Commission proceedings.

The Commission will measure success by:

- The quality and timeliness of public representative filings.
- Review and update the public representative handbook at least every 3 years.
- Number of forms available for public participation.
**Strategic Goal 3: Infrastructure to Meet Mission Performance Objectives**

**A. Human Capital**

Enhance a system that fosters recruitment, development and retention of a talented, skilled and adaptable workforce. The following tasks are statutory requirements under title 39 of the U.S. Code.

**FY 2015 Work Plan:**
Continue to update the Human Capital Plan, including a succession plan, as needed, to ensure alignment of the workforce and work environment with the PRC Mission.

Maintain and update policies and procedures to attract and select highly qualified candidates into positions required to achieve the mission within projected budget constraints.

Continue to implement a performance management system that rewards outstanding contributions to the Commission and addresses developmental needs to retain high performing staff, address developmental needs, and promote outstanding contributions to the Commission’s mission.

Identify and sponsor training and development opportunities to develop employees, targeting leadership development of managers and supervisors.

Continue to monitor the results of the Federal Employee Viewpoint Survey (FEVS), and implement solutions to achieve continuous improvement.

Maintain and enforce up-to-date HR policies and procedures (e.g., compensation, benefits, EEO) to ensure a fair, consistent and sustainable application.

The Commission will measure success by:
- Strengthening pay and performance process with updated pay analysis and policies.
- Improving leadership effectiveness over the FY 2013 baseline as measured by 360 review process.
- Targeting recruitment efforts by sending notices to diversity and affinity groups, as well as colleges and universities, to improve the applicant pool for any open positions.
- Ensuring the FEVS Action Plan timelines are met.
B. Program Integration and Support
Adapt to the latest technology, operational systems and organizational infrastructure in achieving Commission goals.

FY 2015 Work Plan:
Develop and maintain the Commission’s annual budget and fiscal processes based on administration guidance.

Enforce up-to-date IT security policies, practices, and enforcement procedures to ensure functionality and security of electronic communication systems such as website, dockets, LAN, webcasts, email, VOIP, etc.

Ensure that records of the Commission are properly maintained in accordance with policies and procedures. Continue to improve Records Management program at the Commission. Review and modify, as necessary, records schedules and policies to meet new requirements and to simplify Commission workflow processes.

Ensure the website – both internal and external - is current, accessible and useful to stakeholders.

Continue to maintain financial controls to ensure more than adequate fiscal responsibility.

Ensure equipment and facilities are adequate, safe, and secure.

Initiate a strategic process from a top down approach to create an Enterprise Architecture structure of the Commission’s Information Technology (IT) infrastructure.

The Commission will measure success in IT management by:
- Ensuring that the Commission is MTIPS compliant by end of FY 2015.
- Decreasing the number of system outages from baseline year of 2012.

The Commission will measure success in Records and FOIA management by:
- Ensuring a score above 85 on the National Archives and Records Administration annual assessment.
- Ensuring that the Commission is all green on the annual FOIA assessment.
- Ensuring that the Commission completes all required reports and Freedom of Information Act requests.
The Commission will measure success in improving financial management by:

- Decreasing the monthly variance of actual expenditures to the budgeted amount.
- Creating an Enterprise Architecture, continue to improve Document Management and Tracking System, and enforce up to date IT security requirements.
- Maintaining the efficiency of resource utilization within the appropriated budget.
Strategic Goal 4: Office of the Inspector General Performance Objectives

A. Evaluate Operations; Prevent Waste, Fraud and Abuse:

Conduct audits and evaluations in support of the Postal Regulatory Commission’s Integration and Support activities to improve economy and efficiency. Conduct activities designed to prevent waste, fraud and abuse. The following tasks are statutory requirements under title 39 of the U.S. Code.

FY 2015 Work Plan:

1. Continue to monitor and audit activities as needed, and to review proposed internal policy changes.
2. Continue to improve effectiveness of reporting under the Federal Information Security Management Act along with any other mandated reports.
3. Continue to maintain hotline and to investigate all allegations of misconduct in a timely manner.