

TABLE OF CONTENTS

I.	INTRODUCTION.....	2
II.	AUDITS.....	5
III.	INVESTIGATIONS.....	12
IV.	MANAGEMENT AND ADMINISTRATION.....	15
V.	SPECIFIC REPORTING REQUIREMENTS OF SECTION 5(a) OF THE INSPECTOR GENERAL ACT.....	17

ATTACHMENTS

A.	TABLE I: OIG AUDIT REPORTS WITH QUESTIONED COSTS	20
B.	TABLE II: OIG AUDIT REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE.....	21

INTRODUCTION

The Federal Communications Commission (FCC) is an independent regulatory agency exercising authority delegated to it by Congress under the Communications Act of 1934 as amended. The FCC is charged with regulating interstate and international communications by radio, television, wire, satellite and cable. The FCC's jurisdiction covers the fifty states, the District of Columbia, and U.S. possessions. The mandate of the FCC under the Communications Act is to make available to all people of the United States a rapid, efficient, nationwide, and worldwide wire and radio communication service. The FCC performs four major functions to fulfill this charge:

- spectrum allocation;
- creating rules to promote fair competition and protect consumers where required by market conditions;
- authorization of service; and
- enforcement.

The Chairman and four Commissioners are appointed by the President and confirmed by the Senate. Reed E. Hundt has been the Chairman of the FCC since November 1993. As of the time of this report, the FCC has three sitting Commissioners; James H. Quello, Rachelle B. Chong, and Susan P. Ness. The fourth Commission seat has not been filled since former Commissioner Andrew C. Barrett left the Commission effective March 30, 1996. The majority of FCC employees are located in Washington, DC. FCC field offices are located throughout the United States.

On February 8, 1996, President Clinton signed into law the Telecommunications Act of 1996, (Pub. L. No. 104-104). This signing of this Act represented the first major overhaul of telecommunication law in almost 62 years. The Act is geared towards promoting competition, reducing regulation, and encouraging the rapid development of new technologies. For example, per the Chairman, "(T)he Act enabled local telephone companies to enter the video business, let cable, wireless, and long distance companies into local telephony, established conditions for the Bell telephone companies to enter long distance, and moved broadcasting from a business with a 1950's technology into the twenty-first century digital world." Over the six months covered by this report, the Commission continued to work towards the development of the complex set of rules necessary to implement this new law.

As identified in our previous semiannual report, the Chairman implemented the field office restructuring plan which resulted in the closure of nine attended frequency monitoring stations

and three additional monitoring sites located at FCC field offices. In place of these previously manned stations, a national automated monitoring network is now controlled from an existing facility in Columbia, Maryland. Nine of the 25 existing field offices as well as three of the six regional offices were closed. Two technical staff members continue to be assigned as Resident Agents in the nine locations in which field offices were closed. In the current reporting period, Office of Inspector General (OIG) staff initiated activity towards the reinstatement of the Field Inspection Program (FIP). The FIP was curtailed due to severe budgetary limitations imposed on this office in fiscal years 1995 and 1996, as well as a determination that an inspection program would be of limited use during a period of significant reorganization. In addition to a traditional inspection methodology (e.g., verification of: time and attendance records; equipment and supplies; motor vehicle maintenance; and imprest funds) a detailed inspection checklist will be utilized to assess the impact of the reorganization on the Commission, other Federal and State agencies and on our customers. The initial sites to be inspected in May, 1997, will be the Tampa Field Office and Miami Resident Agent Office.

In conjunction with the reorganization, the National Call Center (NCC) was instituted. The NCC is a clearinghouse for the thousands of inquiries made to the Commission by the public on a monthly basis. Housed in the existing FCC facility located in Gettysburg, Pennsylvania, the NCC uses the latest technology available to respond to queries in a timely manner. Eighty percent of the times calls are answered within twenty seconds. The average time on hold will reportedly be no more than ninety seconds. From inception in June, 1996, the volume of calls received by the NCC has increased virtually every month. In March, 1997, the NCC received approximately 35,000 calls. This figure is over double that of the calls received in December, 1996. The number one call received by the NCC relates to the practice of telephone "slamming." Under this practice, complainants have their long distance phone service switched without their authorization. To resolve the complaint, the caller are asked to:

- file a written complaint with the FCC's Common Carrier Bureau
- contact their local exchange carrier and place a "PIC freeze" on their account. This locks in the Primary Interexchange Carrier (PIC) of their choice and prevents an unauthorized change.
- be aware that they are responsible for any calls made after the slamming incident but only at the rate they would have been charged by the carrier of their choice.

Normal hours of NCC operation are Monday through Friday 8:00am to 4:30pm EST. The NCC can be reached toll free by calling 1-888-CALL FCC (1-888-225-5322).

The Commission continues to auction spectrum as authorized by the U.S. Congress in the Omnibus Budget Reconciliation Act of 1993. As of the date of this semiannual report, the revenues had risen to over \$23 billion dollars. The OIG continues to place significant emphasis on evaluating and testing the security and reliability of automated systems dedicated to the successful conduct of all phases of the spectrum auctions.

The Office of Inspector General has dedicated itself to assisting the Commission as it continues to improve its efficiency and effectiveness. The Inspector General reports directly to the Chairman. The OIG is located in Room 752 in the FCC headquarters building at 1919 M Street, N.W., Washington, D.C. 20554. The office is staffed by the Inspector General, Mr. H. Walker Feaster III and six staff members. Mr. Paul Brachfeld serves as The Assistant Inspector General for Audits and Mr. Edward W. Hosken Jr. serves as the Assistant Inspector General for Investigations.

This report includes the major accomplishments and general activities of the OIG during the period October 1, 1996, through March 31, 1997, in accordance with Section 5 of the Inspector General Act of 1978, as amended 5 U.S.C. App. 3, § 5.

AUDITS

OVERVIEW

During the reporting period, the Office of Inspector General (OIG) issued five Audit Reports, one "Flash Report" and, one Special Review Report.

As the Chairman stated before the United States Conference of Mayors on January 18, 1997, "The FCC is, I suppose, the single federal agency with the largest role in the communications revolution. Our jurisdiction covers all five lanes of the information highway: broadcast, cable, satellite, telephone and wireless." As the Commission focuses on maximizing the efficient use of the public information highway, the OIG continues to work towards ensuring the integrity and data reliability of our own internal information highway, the FCC network.

During this reporting period, we reviewed the security over remote dial-in access to the FCC network. Issues identified were addressed expeditiously so as to mitigate the potential of unauthorized access to sensitive data and interruption in network service. In the next reporting period, the OIG will continue to focus efforts towards addressing ever emerging risks which manifest themselves in this, the information age.

The OIG also continues to dedicate resources towards the performance of contract audit work. In a climate of maximizing service and deliverables to our users while downsizing the size of the Federal government work force, increasingly functions are being contracted out to the private sector. It is thus ever more vital to ensure that the government is obtaining the required deliverables in a timely and efficient manner and at a reasonable and supportable cost. In this reporting period, the OIG identified significant issues which have resulted in a partial remittance to the government to date of \$89,549.96 of a total of \$160,545 in questioned costs by one vendor. Also, as a result of audit work performed by this office a contractor remitted to the government of \$195,416.88 for the labor charges claimed by the subcontractor for March and April, 1996 pending results of our ongoing investigation of a subcontractor to the prime. The OIG also identified that a contract employee utilized an FCC provided cellular telephone in making personal and thus inappropriate calls at the expense of the FCC in the amount of \$1,233.22.

In addition to the detailed reports that were issued during this reporting period, questioned costs of \$1.78 million dollars identified by the OIG in the Report on Audit of Proposal for Initial Pricing Under RFP No. 96-37 (OIG 96-11), dated September 30, 1996 were sustained by the

Chief, Acquisitions Branch. OIG auditors met with Acquisition Branch officials during this reporting period and provided expertise prior to and during the negotiation process.

OIG auditors also continued to provide significant input towards the successful discharge of investigative case activity which resided within this office. Audit staff is working as a part of a multi-disciplinary team with the Assistant Inspector General for Investigations, towards addressing potential criminal and ethical violations of the law.

Audit reports can generally be obtained via the internet at the following address www.fcc.gov. However, special review and audit reports which contain sensitive or proprietary information will be restricted to specific individuals and organizations with a need to know.

SIGNIFICANT AUDIT ACTIVITY

1. Report on the Audit of Network Remote Dial-In Security (OIG 96-7)

The objective of the audit was to evaluate the security posture of the remote dial-in capability provided by the centralized modem pool and, as needed, define an enhanced posture. An additional objective was the identification of unknown dial-up entry ports supporting stand-alone modem access (i.e., "rogue" modems), an assessment of the security of those ports, and the identification of alternatives for securing those ports.

The Commission established access to the network through remote dial-in connectivity. The dial-in capability allows FCC users to access the network from remote locations using laptop computers or stand-alone personal computers. Although this capability can produce a significant productivity gain, it also presents some difficult and complex security challenges.

During our review, we determined that the Commission's network was vulnerable to compromise via remote dial-in. Although the initial objective of the review was an assessment of modem pool security, the OIG identified that the primary risk to the network resulted from unknown entry ports and "rogue" modems. In fact, during testing, the OIG was able to gain access to the network through a "rogue" modem and compromise a number of components (see picture below - only in hardcopy report).

Release of the detailed report was restricted to only those parties with a need to know. The report contained three recommendations for which concurrence was received by the Managing Director. In fact, the Office of the Managing Director took significant steps to address several of the conditions identified by the OIG while fieldwork was still in progress. This prompt

attentiveness to address systemic vulnerabilities speaks well to the cooperation between the OIG and Managing Director and his staff.

2. Flash Report on Vulnerabilities Identified During Our Review of Remote Dial-In Security (No OIG Audit Number Assigned)

During the conduct of a special review of the FCC remote dial-in (OIG 96-7) a significant vulnerability to network continuity was identified by the OIG. Because of the significance of the finding, and the potential impact on the Commission, the OIG issued a "Flash report" to the Managing Director. This vehicle was used in order to expedite appropriate corrective action.

3. Report on Follow-Up Audit of Contractor labor Related Policies, Procedures, Practices (OIG 96-08)

Auditors performed a labor floorcheck of a prime auction vendor and their subcontractor working at the FCC's 2 Massachusetts Avenue and 2025 M Street N.W. locations. The audit disclosed significant deficiencies which may affect the reliability the FCC can place on the contractor and subcontractor's timekeeping systems and resulting labor charges to the government.

Auditors identified that the employees of the prime vendor interviewed at the auction site did not complete their timesheets on a daily basis. When interviewed, the employees maintained that they kept separate daily time records, which they subsequently posted to weekly timesheets at weeks end. Even though employees kept separate informal daily timesheet entries, this methodology was in violation of the contractors internal control requirements. Informal records can be more readily manipulated than timesheets that are completed on a daily basis. The contractor concurred with the audit finding and implemented the audit recommendation which will significantly increase the internal controls the vendor maintains over its labor timekeeping system.

A significant deficiency was identified in the prime vendors administration of labor hours charged to the FCC by a subcontractor to the prime. Based upon subcontractor employee interviews and review of related billed timesheets, the OIG determined that the subcontractor's labor timekeeping internal control system contained significant inadequacies and weaknesses which are listed below.

- The President of the company consistently failed to enter his start and end times on his daily time sheets. Both he and his employees did not clock in nor out to document their hours spent working within the FCC.

- Employees did not record their billable hours on a daily basis.
- Timesheets were not maintained as controllable documents (i.e., sequentially numbered with restricted availability). In fact, employees maintained their timesheets as WordPerfect documents at their respective computer stations (FCC owned computers). This unrestricted access to enter, correct or alter timesheets with no audit trail to document corrections, authorizations, and approvals severely impaired any reliance the prime or the government could place on hours charged under this contract by subcontract employees.
- Subcontract employees had no written internal timekeeping policies and procedures in their possession and were not trained nor instructed on the importance of proper timekeeping.

OIG auditors briefed the prime vendor on the results of our labor floorcheck. Based upon this briefing, the prime was made aware that the OIG was investigating potential labor mischarging by the subcontractor. In response to this, the prime acted to withhold payment of invoices to their subcontractor for the period of April through May, 1996. The prime contractor also issued a check to the FCC in the amount of \$195,416.88 for the labor charges claimed by the subcontractor for March and April, 1996.

The Chief, Acquisitions Branch, was briefed in detail on the issues identified by the OIG auditors. In response, a requirement was instituted for contract employees working on any task orders under programming services Time and Material (T&M) contracts to clock in and out.

It is noted that the subcontractor was subsequently removed from the contract. The President of the company is currently the subject of an investigation being jointly worked by the Federal Bureau of Investigation (FBI) and staff assigned to this office.

4. Report on Costs Claimed Under FCC Contract No. 94-12 (OIG 96-10)

An audit was performed of costs claimed under an FCC Time and Materials (T&M) contract by an 8(a) vendor. The purpose of the audit was to determine allowability of the costs claimed under the contract from May 3, 1994 through April 13, 1995. The contractor provided financial advisory and auction services to the FCC's Wireless Telecommunications Bureau, Auctions Division, for marketing and awarding certain federal licenses.

The auditors questioned \$160,545 of the \$5,375,643 claimed by TWI under the contract.

Because the contract was awarded as a T&M contract, direct labor and indirect rates (fringe benefits, overhead, and General & Administrative expenses) were fixed and not subject to audit.

The bulk of the \$160,545 questioned related to costs associated with the leasing of computer equipment by the prime vendor from a subcontractor. The balance of questioned costs was composed of incorrect billings and overstatements of direct expenses incurred and billed by the prime contractor.

To date, the vendor has remitted \$89,549.96 of the questioned costs to the U.S. Government. The balance of the questioned costs, \$70,995.16 was contested by the vendor. The FCC is withholding action at this time pending the results of an ongoing joint investigation being conducted between the FCC OIG, U.S. Attorney's Office for the District of Columbia and Federal Bureau of Investigations.

5. Report on the Audit of Imprest Funds (OIG 96-4)

The objective of this audit was to determine whether the FCC Headquarters imprest fund was being administered in compliance with the Treasury Financial Manual (TFM), the Department of the Treasury "Manual of Procedures and Instructions for Cashiers" and applicable FCC instructions. The audit was designed to ensure that all funds were properly accounted for; the amount of the fund was not in excess of cash requirements; the cashier and alternates were following procedures that adequately protect the fund from loss or misuse; and, the cashier and alternates were not making unauthorized use of the funds.

The auditors identified that the fund was in an out of balance condition. A shortage of \$300 represented the net amount of two non related transactions processed erroneously in a prior fiscal year. There was no evidence to suggest that this condition resulted from fraudulent activity on the part of the cashier or any other FCC employee. The Managing Director concurred with the audit finding and stated that his office would "take all necessary action to bring the fund back to the proper balance."

The Treasury "Manual of Procedures and Instructions for Cashiers," Section 4: Safekeeping Facilities For Cash, states that "Separate cash boxes or safe drawers must be provided for alternates and subcashiers. Cashiers of all classes must work from separate cash boxes or drawers." The auditors found the Commission to be in non-compliance with this requirement. The primary cashier and alternates were found to be operating out of one cash box. Management immediately addressed this internal control weakness by obtaining individual cash boxes for the cashiers.

A third audit finding was that disbursements were made which fell outside of the allowable

parameters defined by the TFM, Treasury Manual and FCC Instructions. For example, 16 subvouchers were processed for payment for which individual expenses exceeded allowable thresholds. It was noted that no instances of fraud or malfeasance were identified. Noncompliance with the aforementioned requirements represented 8% of the total transactions in the sample population. Management concurred with the recommendation that all questioned subvouchers be reviewed and appropriate measures taken to ensure remittance is made to the Government as appropriate.

6. Audit of the Advisory Committee on Advanced Television Services (OIG 97-1)

At the request of the Advisory Committee on Advanced Television Services (the Committee), the Office of Inspector General (OIG) conducted a close out audit of the Committee's checking account. The Committee was empaneled by the FCC on October 1, 1987, to develop recommended "policies, standards, and regulations that would facilitate the orderly and timely introduction of advanced television services in the United States."

The audit was performed by the OIG in order to provide an independent assessment as to the integrity of Committee funds. Audit emphasis was placed on evaluating compliance with internal controls for handling deposits and ensuring that all disbursements were valid and supportable. All cash receipts, bank charges and disbursements from the period of December 1, 1994 through November 15, 1996 were examined and traced back to monthly bank statements and journals maintained by the bookkeeper. The audit identified that the account was formally closed on November 15, 1996. Since the last audit performed by this office (OIG Report No. 95-2 dated December 19, 1994), all deposits to the account and disbursements were identified as appropriate and supportable by adequate documentation.

7. Special Review Report of Contractor Use of Cellular Phone (OIG 96-5)

The report was issued October 3, 1996

On August 15, 1996, the OIG issued Audit Report No. 96-2 entitled "Report on Cellular Telephone Utilization." During the conduct of audit fieldwork, the auditors identified that the FCC had been billed over a three month period by Bell Atlantic Nynex Mobile for an individual who was not included in the FCC employee listing. Further analysis disclosed that the individual was assigned to the FCC as a contract employee. Our review of the applicable contract terms identified that no requirement nor contractual basis existed to equip the subject contract employee with a pager or cellular phone.

OIG auditors reviewed the contractors cellular phone bills for the period February through April, 1996. During this three month period a total of \$2,852.21 was billed to the Commission. Auditors questioned \$1,448.55 of outgoing calls which were placed to non-FCC exchanges. The listing was provided to the contract employee who indicated that \$1,233.22 of the questioned amount pertained to personal, non-business related phone calls.

To address the findings contained in the Special Review Report, the auditors developed two audit recommendations. The OIG recommended that the Managing Director take appropriate administrative action and that he refer the matter to the Debt Collection Officer to facilitate collection of the questioned cost of \$1,233.22. A second recommendation was developed to mitigate the potential for recurrence of this scenario. The Managing Director concurred with both recommendations. The basis for collecting the questioned amount of \$1,233.22 was referred by the Debt Collection Officer to the Office of General Counsel (OGC). Based upon a determination by OGC that the agency "relied on an unpublished system of records," a determination was made not to pursue collection action against the contractor nor her employer.

Audit Report Status Update

1. Report on Audit of Proposal for Initial Pricing Under RFP No. 96-37 (OIG 96-11)

The report was issued on September 30, 1996

As requested by the Office of the Managing Director, Acquisitions Branch, an audit was conducted of a Time and Material, Indefinite Delivery and Quantity (T&M, IDIQ) pricing proposal submitted to the FCC by a vendor. The objective of the audit was to determine and report on whether the proposed direct labor rates are acceptable as a basis to negotiate a fair and reasonable contract price.

The auditors questioned direct labor rates proposed for each labor category proposed in the base year and four option years. Of the total direct labor costs (based upon direct labor rates multiplied by estimated direct labor hours) proposed of approximately \$7.7 million dollars, the auditors questioned a total of \$1,780,646.

The Contracting Officer used the audit report as a basis of negotiation with the proposed vendor. All amounts questioned were sustained in the course of contract negotiations.

INVESTIGATIONS

OVERVIEW

Investigative matters pursued by this office are generally initiated as a result of allegations received from parties external to this office or matters referred by the Director of Audits. Referrals are based upon findings of potential fraud, waste, abuse, corruption, or mismanagement by FCC employees, contractors, and/or subcontractors. Upon receipt of an allegation of an administrative or criminal violation, the OIG usually conducts a preliminary inquiry to determine if an investigation is warranted. Investigations may involve possible violations of regulations regarding employee responsibilities and conduct, Federal criminal law, or other regulations and statutes pertaining to the activities of the Commission. Investigative findings may lead to criminal or civil prosecution, or administrative action.

The OIG also receives complaints from the general public, both private citizens and commercial enterprises, about the manner in which the FCC executes its program and oversight responsibilities. These complaints are examined to determine whether there is any allegation of employee wrongdoing or that the “process” was not followed or is ineffective. If none of the enumerated factors are present, then the complaint is referred to the appropriate bureau for response directly to the complainant with a copy of the response provided to the Inspector General.

INVESTIGATIVE ACTIVITY

Cases pending as of March 31, 1996	4
Plus: New cases	+21
Minus: Cases closed	-16
Cases pending as of September 30, 1996	9

INVESTIGATIVE CASE SUMMARIES

During this reporting period, OIG investigative activity continued to focus on a matter first referred to the Department of Justice on March 5, 1996. The Inspector General, Director of Investigations, and OIG audit staff have continued to work with agents of the Federal Bureau of Investigation (FBI), the U.S. Attorney's Office for the District of Columbia, and a grand jury. Federal Rule of Criminal Procedure 6 precludes any further discussion pertaining to this investigation.

Another case remaining open from the last report relates to an investigation referred to the Public Integrity Section, Criminal Division, Department of Justice for prosecution of a potential violation of 18 U.S.C. § 207(a)(2), post employment restrictions. This matter has not been brought to closure as of the conclusion of this reporting period.

Opened this reporting period and remaining open.

Two of the cases opened this reporting period have been referred to the FBI. One is open pending the development of further evidence by this office. No more details can be presented since the target is unaware of our interest. In the other case, which involves possibly illegal attempts to manipulate Commission decisions, the FBI is actively investigating while this office stands ready to assist.

Employees are involved in three of the open cases. In one an employee is under suspicion of misusing government property. In the other two, the employees have alleged that the FCC through its supervisors has not followed established procedures. One case involves selection to a higher grade and the other involves a performance appraisal.

Another pending case involves a complaint by a citizen that an improper *ex parte* contact had been made in a restricted case and that this improperly affected the decision maker. The second "outside" complaint involves an allegation that a field office has been unresponsive.

Opened and closed this reporting period.

The largest number of cases closed this reporting period (12) involve complaints from the public regarding the performance or non-performance of official functions by headquarters and field office staff. The substantive issues ranged from failing to enforce Emergency Broadcast System rules to the improper cancellation of licenses and failure to enforce the obscenity standards.

Two complaints from the public involved the area of *ex parte* submissions contrary to FCC rules. There were admittedly *ex parte* communications made, however, neither was found to have been done intentionally to obtain a specific outcome. Further, neither affected the integrity

of the process or outcome.

The last two cases closed involved potential employee misconduct. The first appeared to be the improper use of official mail for unofficial business. However, investigation determined the mailings were in support of official business. The second case involved an attempt to break into a computer system. This investigation was closed due to the inability to develop any investigative leads after learning that a power failure compromised the facility's security system and may have even caused the software program to indicate an attempted login on the computer in question.

HOTLINE CALLS

During this reporting period there were 73 calls to the published hotline number (202) 418-0473. These calls can be divided into 7 broad categories:

1. Calls seeking information	20
2. Calls complaining about interference	3
3. Calls complaining about local cable provider	3
4. Calls complaining about fraud/scams	4
5. Calls complaining about phone service/slamming/bills	16
6. Calls in reference to complaint against FCC employee	1
7. Calls -- miscellaneous	26

MANAGEMENT AND ADMINISTRATION

During the six-month reporting period covered by this report, the Inspector General has continued in his efforts to focus the work of this office towards addressing the needs of the Agency. The FCC is an agency that has fully embraced the concept that we as a nation are now in the midst of an information age. As the agency that the Chairman has defined as "the single federal agency with the largest role in the communications revolution," the FCC has rapidly embraced technology as a tool to address an ever increasing workload in a time of constrained financial and physical resources.

In the wake of the Commissions rapid deployment of high level technology, the OIG has worked closely with management to maximize the programming and hardware deliverables we receive from contractors while ensuring the integrity and capacity of automated systems employed by the Commission. The OIG has worked aggressively with agency personnel to provide the highest level of assurance that FCC automated systems are protected from data loss and unauthorized access. In the coming months we will continue to focus upon this objective and serve as both an up-front partner, and proactive reference tool in the design, procurement and implementation of new systems within the automated architecture of the Commission.

The procurement and related costs associated with the customization and implementation of automated systems is significant. The OIG has work successfully to forge an extremely constructive relationship with the Office of the Managing Director to provide the Acquisitions Branch full contract audit support services to include the performance of pre-award, post-award and contract close-out audits. As warranted, the OIG also provides the Acquisitions Branch investigative support to address issues such as defective pricing and the staffing by contractors of employees who do not meet the skill level requirements defined in the contract. Through the performance of such work, the OIG can make a positive impact upon agency operations and assist management in getting the best deliverables possible at the most economical cost to the taxpayer.

OIG staff have been working towards the reinstatement of the Field Inspection Program (FIP). This program, will become an ongoing process by which an independent entity within the FCC will traveled to field offices and resident agent offices to perform a comprehensive inspection. The inspection team will complete a detailed checklist, developed to assess compliance with Federal government and internal FCC rules and regulations. The team will conduct interviews with FCC staff and persons/organizations serviced by the field (to include Federal and State agencies and entities) to obtain feedback on operational effectiveness and efficiency and identify impediments which may exist to the realization of optimal performance. The FIP also searches

for best practices which may be transportable to other field locations.

The Inspector General was the subject of a peer review in this reporting period. Written results of the peer review have not been received as of the drafting of this report. However, comments received at the exit conference were favorable.

SPECIFIC REPORTING REQUIREMENTS OF SECTION 5(a) OF THE INSPECTOR GENERAL ACT

The following summarizes the Office of Inspector General response to the twelve specific reporting requirements set forth in Section 5(a) of the Inspector General Act of 1978, as amended.

1. A description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of such establishment disclosed by such activities during the reporting period.

No such problems, abuses, or deficiencies were disclosed during the reporting period.

2. A description of the recommendations for corrective action made by the Office during the reporting period with respect to significant problems, abuses, or deficiencies identified pursuant to paragraph (1).

No recommendations were made. See the response to paragraph (1).

3. An identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed.

No significant recommendations remain outstanding.

4. A summary of matters referred to prosecutive authorities and the prosecutions and convictions which have resulted.

On August 29, 1996, a matter pertaining to potential criminal activity related to the licensing of four radio stations in Vero Beach, Florida, was referred to the FBI. The investigation remains in an open status at this date.

A second matter was referred to the U.S. Department of Justice in the prior reporting period. The investigation remains in an open status. Specific issues related to this matter will be addressed in this forum in subsequent reporting periods as warranted.

An investigation which was opened during a previous reporting period and referred to the U.S. Department of Justice pursuant to section 4(d) of the Inspector General Act remains in an open status. The investigation involves a potential violation of post-employment restriction of 18

U.S.C. § 207 (a) (2).

5. *A summary of each report made to the head of the establishment under section (6)(b)(2) during the reporting period.*

No report was made to the Chairman of the FCC under section (6)(b)(2) during the reporting period.

6. *A listing, subdivided according to subject matter, of each audit report issued by the Office during the reporting period, and for each audit report, where applicable, the total dollar value of questioned costs (including a separate category for the dollar value of unsupported costs) and the dollar value of recommendations that funds be put to better use.*

Each audit report issued during the reporting period is listed according to subject matter and described in part III, above.

7. *A summary of each particularly significant report.*

Each audit report issued during the reporting period is summarized in part III, above.

8. *Statistical tables showing the total number of audit reports with questioned costs and the total dollar value of questioned costs.*

The required statistical table can be found at Attachment A to this report.

9. *Statistical tables showing the total number of audit reports with recommendations that funds be put to better use and the dollar value of such recommendations.*

The required statistical table can be found at Attachment B to this report.

10. *A summary of each audit report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period (including the date and title of each such report), an explanation of the reasons such management decision has not been made, and a statement concerning the desired timetable for achieving a management decision on each such report.*

No management decisions fall within this category.

11. *A description and explanation of the reasons for any significant revised management*

decision made during the reporting period.

No management decisions fall within this category.

12. Information concerning any significant management decision with which the Inspector General is in disagreement.

No management decisions fall within this category.