



UNITED STATES GOVERNMENT
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF INSPECTOR GENERAL

MEMORANDUM

DATE: May 24 2023

TO: Chairwoman Jessica Rosenworcel
Commissioner Brendan Carr
Commissioner Geoffrey Starks
Commissioner Nathan Simington

FROM: Acting Inspector General Sharon R. Diskin/ *SG* for

SUBJECT: Final Report on the Audit of the Fiscal Year 2022 Federal Communications Commission Compliance with the Payment Integrity Information Act of 2019 (Project No. 23-AUD-01-03)

In accordance with Office of Management and Budget Memorandum M-21-19, Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement*, the FCC Office of Inspector General (OIG) submits the attached final report on the mandated audit of the Federal Communications Commission's Compliance with the Payment Integrity Information Act (PIIA) of 2019.

The OIG contracted Kearney and Company, P.C. (Kearney) to perform this audit consistent with the OIG's authority under the Inspector General Act of 1978, as amended, including but not limited to sections 2(1)(2) and 4(a)(1). The audit is not intended as a substitute for any agency regulatory compliance review or regulatory compliance audit. The audit was performed in accordance with generally accepted government auditing standards. Those standards require that the auditors plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions based on the audit objectives.

The overall objective of this audit was to determine whether FCC was in compliance with the statutory requirements for payment integrity reporting using criteria provided by PIIA, Council of the Inspectors General on Integrity and Efficiency Guidance for Payment Integrity Information Act Compliance Reviews, and applicable OMB guidance. Specifically, Kearney reviewed the FCC's risk assessment methodology, Improper Payment (IP) estimates, Sampling and Estimation Methodology Plans, Corrective Action Plans, and efforts to prevent and reduce IPs.

In the attached audit report, dated May 24, 2023, Kearney noted five findings and 10 recommendations.

Three of the five findings resulted in non-compliance with PIIA for three of FCC's 10 programs, the Universal Service Fund (USF) Lifeline (LL) program, USF Schools and Libraries (S&L) program, and the USF High Cost (HC) Legacy program. Additionally, Kearney identified other matters related to the PIIA activities that are recommended for improvement.

- The USF-LL program was not compliant with PIIA criteria 2 because FCC had not accurately reported the overpayment amount first identified in the 2019 IPERIA audit report as of fiscal year 2022.
- The USF-S&L program was not compliant with the PIIA criteria 8 because FCC did not demonstrate improvements in its payment integrity performance during fiscal year 2022.
- The USF-HC Legacy program was not compliant with PIIA criteria 5 because FCC did not publish its Improper Payments (IP) and Unknown Payments (UP) estimates for this program in fiscal year 2022.
- Kearney also noted conditions regarding FCC's risk assessments and internal controls that did not constitute non-compliance with PIIA but are reported as recommendations for improvement. FCC did not fully implement prior year (PY) recommendation related to risk assessments for FCC operation fund programs, nor did FCC implement the PY recommendation to define the interdependent relationships between the FCC, the TRS Administrator, and the TRS Providers regarding payment integrity risks.

Management agreed with the finding regarding the improvements needed in FCC risk assessments, and provided neither concurrence nor nonconcurrence on the remaining four findings. Management's response included progress updates on the audit recommendations.

Kearney is wholly responsible for the attached audit report and the conclusions expressed therein. The OIG monitored Kearney's performance throughout the audit and reviewed Kearney's audit report and the related audit documentation. Our review disclosed no instances where Kearney did not comply in all material respects with generally accepted government auditing standards.

Questions regarding this report may be directed to Menjie Medina, Deputy Assistant Inspector General for Audit, at (202) 218-0949 or menjie.medina@fcc.gov; or Sophie Jones, Assistant Inspector General for Audit, at (202) 418-1655 or sophila.jones@fcc.gov.

Attachment

cc: Managing Director
Chief of Staff
Chief Financial Officer