
**Federal Communications Commission
Office of Inspector General**



**Semiannual Report to Congress
October 1, 2021 — March 31, 2022**

THE FEDERAL COMMUNICATIONS COMMISSION



Left to Right

Chairwoman Jessica Rosenworcel,
Commissioner Brendan Carr, Commissioner Geoffrey Starks,
Commissioner Nathan Simington

COVER MEMORANDUM

DATE: May 6, 2022

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

FROM Inspector General

SUBJECT Semiannual Report to Congress

In accordance with Section 5 of the Inspector General Act, as amended, 5 U.S.C. App. 3 § 5, I have attached my report summarizing the activities and accomplishments of the Office of the Inspector General (OIG) during the six-month period ending March 31, 2022. In accordance with Section 5(b) of that Act, it would be appreciated if this report, along with any associated report that you may prepare, be forwarded to the appropriate Congressional oversight committees within 30 days of your receipt of this report.

This report describes both audits and investigations that have been completed during the preceding six months, as well as those in process. Where appropriate, reports of completed audits and investigations have been forwarded to the Commission's management for action.

I have been the Inspector General since June of 2009. OIG remains committed to maintaining the highest possible standards of professionalism and quality in its audits, investigations, inspections and consultations. We welcome any comments, suggestions or questions you may have.



David L. Hunt
Inspector General

Enclosure

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INTRODUCTION

The Federal Communications Commission (FCC or the Commission) is an independent regulatory agency, established by Congress to regulate interstate and foreign communications by radio, television, wire, satellite and cable. The FCC's jurisdiction covers the fifty states, the District of Columbia, the Commonwealth of Puerto Rico and all U.S. territories.

The Commission is typically composed of five (5) members who are appointed by the President and subject to confirmation by the Senate. Normally, one Commissioner is appointed or reappointed each year, for a term of five (5) years. One of the members of the Commission is designated by the President to serve as Chair, or chief executive officer of the Commission. Jessica Rosenworcel currently serves as Chairwoman. Brendan Carr, Geoffrey Starks and Nathan Simington currently serve as Commissioners. Most of the FCC's employees are located at the FCC's Headquarters at 45 L Street NE, Washington, DC. Field offices and resident agents are located throughout the United States.

The Office of Inspector General (OIG) is dedicated to ensuring compliance with the requirements of the Inspector General Act of 1978, 5 U.S.C. App., as amended (IG Act), and assisting the Commission in its continuing efforts to improve operational and program effectiveness and efficiency. Management matters are coordinated with the Chairwoman's office. In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the Inspector General (IG), David L. Hunt, reports directly to the full Commission. The principal assistants to the Inspector General are Assistant Inspectors General (AIG) and they are:

Johnny Drake, AIG for Management

Sharon R. Diskin, AIG for Investigations and Counsel to the IG

Robert McGriff, AIG for Audits

In this semiannual report, we discuss both the major accomplishments and activities of OIG from October 1, 2021 through March 31, 2022, as well as its goals and future plans.

OFFICE OF MANAGEMENT

Office Staffing

Currently our office consists of 46 experienced professional and administrative staff including auditors, investigators, investigative attorneys, administrative management specialists, program and management analysts, a paralegal, an industry economist, an IT specialist, a computer forensics investigator, a budget officer, a data analyst, and a writer/editor. Due to retirements and routine staff turnover, we have initiated a recruiting process, with an emphasis on more junior positions. This will help the office budgetarily, allow us to grow from within, and provide newer hires the benefit of the depth of our staff's knowledge and experience. Further, this approach will help to ensure our staff has a career path to follow that offer opportunities for growth and advancement

Continuous training and education increase the expertise of all staff and satisfy the training requirements mandated by various professional organizations. Toward that end, staff attended and completed courses sponsored by government agencies, including the Government Accountability Office, Council of Inspectors General on Integrity and Efficiency (CIGIE), the National Defense University, and the Federal Law Enforcement Training Center (FLETC); and professional organizations and other training vendors, such as the American Institute of Certified Public Accountants, Institute of Internal Auditors, Association of Governmental Accountants, Association of Certified Fraud Examiners, Information Systems Audit and Control Association, Management Concepts, National Association of State Auditors, Controllers and Treasurers, and the Graduate School USA.

Process Improvement

The COVID-19 pandemic has dramatically changed processes across the board within OIG. Because all staff have been working remotely full-time for more than two years, new technological solutions now facilitate remote meetings, investigations, audits, an external peer review of another OIG, staff recruitment and hiring, data reporting, training, and overall office management in a remote environment.

Procedural changes, coupled with the logistics associated with the FCC’s relocation to a new facility, have presented significant challenges. While we have successfully met these challenges, we learned lessons and made adjustments. Throughout, the staff exhibited professionalism, dedication, and commitment to the agency’s mission and to serving the public interest.

Secure Office Space for OIG

Because of the COVID-19 pandemic OIG was hampered in viewing the new office accommodations before the build-out. Now that there is better access to the new facility, we are working with FCC Management to assist us in solving various concerns. One concern of note is the lack of more secure space for OIG given that we work on criminal investigations and have access to confidential Grand Jury material. OIG requires this secure space to prevent the release of critical OIG-only data. Under the current layout, several OIG staff who work on critical law enforcement data are assigned open cubicles to carry out this most sensitive work. Secure office space is, obviously, common for any Inspector General office in the Federal Government.

Legislative and Policy Matters

Pursuant to section 4(a)(2) of the IG Act, OIG monitors and reviews existing and proposed legislation and regulatory proposals for their potential impact on OIG and the FCC’s programs and operations. We perform this activity to evaluate legislative potential for encouraging economy and efficiency, while helping to reduce fraud, waste, abuse, and mismanagement.

Further, during the reporting period, we continued to share updated recommendations to prevent and detect fraud, waste, and abuse in Universal Service programs with Commission and Universal Service Administrative Company (USAC) staff. *See infra* pp. 10-14.

As a result of the COVID-19 pandemic, Congress enacted several statutes directly impacting the FCC’s subsidy programs. Tasked with supporting efforts to prevent and detect fraud, waste, abuse, and mismanagement and to mitigate major risks that cut across program and agency boundaries, OIG is committed to promoting transparency and conducting aggressive oversight of the more than \$10 billion in FCC pandemic response funding included in the American Rescue Plan Act (ARPA), the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and other pandemic response legislation to ensure taxpayer dollars are used effectively and for their

intended purposes in response to this public health and economic crisis. Further, Congress significantly expanded broadband subsidies in the Infrastructure Investment and Jobs Act.

We have been actively involved in monitoring the Commission’s activities in furtherance of these statutes and, as discussed *infra*, we have worked with the agency to ensure that any new regulations implementing the programs guard against fraud, waste and abuse.

OFFICE OF INVESTIGATIONS

OIG Office of Investigations (OI) covers a wide range of topics touching on myriad aspects of the FCC's mission and programs. Most significantly, our investigations often address allegations of criminal misconduct or civil fraud in the Commission's telecommunications subsidy programs. We deal with complex investigations, large criminal conspiracies, and matters involving complex financial transactions throughout the United States and its territories. These difficult and wide-ranging cases often require substantial investigative expertise and resources, including personnel on the ground across several states, or high-grade forensic tools and the expertise to use them. In these cases, we have always received, and are grateful for, the assistance of other agencies, especially the Offices of Inspector General of other federal agencies, the Department of Justice (DOJ) and the Federal Bureau of Investigation (FBI).

OI receives and investigates complaints regarding the manner in which the FCC executes its programs, how it handles its operations administratively, and how the FCC conducts its oversight responsibilities. Allegations come from a variety of sources including FCC managers and employees, contractors, program stakeholders, Congress and the public at large. Whistleblower requests for anonymity are honored, except when identification is needed for law enforcement purposes. Allegations may also be referred by OIG auditors.

In addition to investigations regarding Commission programs, OI investigates allegations of improper employee and contractor activity implicating federal statutes or regulations establishing standards of conduct and procedure. While we have made recent additions to our staff, OI, like most government offices, has an ever-increasing volume of work and limited resources. Thus, matters having the potential to significantly impact federal funds, important FCC missions or programs, or the basic integrity and workings of the agency receive the highest priority for investigation and assignment of resources.

Statutory Law Enforcement Authority

The Inspector General Act of 1978, 5 U.S.C. app. 3, established criminal investigative jurisdiction for the offices of presidentially appointed Inspectors General. The enforcement powers and responsibilities of presidentially appointed Inspectors General were enhanced to provide firearms, arrest, and search warrant authorities to investigators with the enactment of

section 812 of the Homeland Security Act of 2002. FCC OIG—Semiannual Report to Congress
April 1, 2020 – September 30, 2020.

Pursuant to the guidelines, OI planned to send two investigative attorneys to the Basic Criminal Investigator Training Program at FLETC in Glynco, Georgia. The course in which OI intended to place our two attorneys was cancelled as a result of the COVID-19 pandemic. With the re-opening of Federal buildings due to the current waning of the pandemic, OI now intends for this training to go forward as soon as possible. The IG is working with both the Chairwoman and the General Counsel to secure this training. Although the position of Criminal Investigator was posted before by the FCC, and OI did not find a suitable candidate for our specific needs, the current administration is in the process evaluating the entire process. OIG hopes and expects the process to be completed soon, helping OI to further utilize OIG’s law enforcement authority to further its already robust work in the prevention and deterrence of fraud, waste, and abuse of FCC programs.

Activity During This Period

Cases pending as of October 1, 2021.....	42
New Cases.....	4
Cases Closed.....	5
Cases pending as of March 31, 2022.....	41

These numbers do not include preliminary reviews of allegations, from the Hotline or other sources, or matters involving minimal analysis of the allegations or evidence.

Significant Activities

Several of the Office’s significant activities are described below. However, we discuss investigations only when and if information may be made public without negative impact on law enforcement activities, including criminal prosecutions, and without divulging investigative techniques. Thus, many matters could not be considered for inclusion in this summary. During this reporting period, we have been working on numerous investigations upon which we cannot report, including matters before a Grand Jury and sealed qui tams.

Investigations into Fraud in FCC Subsidy Programs

The *Universal Service Fund* (USF), administered by USAC on behalf of the FCC, provides support through four programs: High Cost, Schools and Libraries (E-Rate), Lifeline, and Rural Health Care.

The *High Cost Fund* provides support to certain qualifying telecommunications carriers serving high-cost (primarily rural) areas. Telecommunications carriers receiving support must offer services to rural area consumers at rates reasonably comparable to the rates for services offered in urban areas. The Connect American Fund (CAF) was designed to transition the program away from its predecessor the High Cost Fund, which provided voice-only telephone service, to providing multi-purpose networks capable of offering broadband Internet access. Disbursements for the High Cost Program, including legacy High Cost Program and CAF support, totaled \$5.1 billion in calendar year 2021.

The *Schools and Libraries Program*, also known as “E-Rate,” provides support to eligible schools and libraries in every U.S. state and territory to help fund telecommunication services, Internet access, and internal connections. In E-rate funding year (FY) 2021, USAC received over 35,000 applications from schools and libraries seeking over \$3.1 billion in E-rate support to over 125,000 schools and libraries. In calendar year 2021, USAC authorized disbursement of over \$2.156 billion in E-rate support.

As part of the American Rescue Plan Act of 2021, Congress authorized the *Emergency Connectivity Fund* (ECF), a \$7.17 billion program to help schools and libraries provide the tools and services their communities need for remote learning during the COVID-19 emergency

period. For eligible schools and libraries, the ECF Program will cover reasonable costs of laptop and tablet computers, Wi-Fi hotspots, modems, routers, and broadband connectivity purchases for off-campus use by students, school staff, and library patrons. Since its June 2021 launch, the Commission has committed nearly \$4.69 billion in funding connection over 12.5 million students with broadband connections and equipment. The ECF Program is administered by USAC.

The *Lifeline Program* provides support to eligible telecommunications carriers that, in turn, offer discounts on telecommunications services to eligible consumers. In 2021, Lifeline support was approved for disbursement totaling more than \$723 million.

The Consolidated Appropriations Act of 2021 established the *Emergency Broadband Benefit (EBB) Fund*, which consisted of \$3.2 billion to the FCC to help low-income households pay for broadband service and connected internet devices, as part of a response to the COVID-19 emergency. The EBB Program provided a discount of up to \$50 per month for broadband service for eligible customers. The EBB Program was intended to be a temporary response to the pandemic emergency. However, in the Infrastructure Investment and Jobs Act, Congress appropriated money for a long-term program subsidy program known as the *Affordable Connectivity Program (ACP)*. The ACP is a \$14 billion benefit program intended to ensure households can afford the broadband they need for work, school, healthcare and more. This program provides a discount of up to \$30 per month toward internet service for eligible households and up to \$75 per month for households on qualifying Tribal lands.

The *Rural Health Care (RHC) Program* provides support to eligible rural health care providers that qualify for reduced rates for telecommunications and broadband services. This support subsidizes their access to these services, making telehealth services affordable in rural areas. Demand for RHC Program funding has risen over the past three years. In 2021, the FCC announced unused funds from prior years would be carried forward, resulting in a \$621 million cap in total available funds to eligible health care providers for FY 2021. RHC Program approved disbursements totaled more than \$556 million with over 11,100 participating health care providers receiving commitments in 2021.

The *COVID-19 Telehealth Program* provides funding to eligible health care providers responding to the COVID-19 pandemic to support telecommunications services, information services, and connected devices needed to provide critical connected care. This program was

established in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, providing \$200 million in funding. The Consolidated Appropriations Act (CAA) provided an additional \$249.95 million to fund a second round of the COVID-19 Telehealth Program.

OIG is also responsible for oversight of USF receipts collected from telecommunications providers offering international and interstate telecommunications services. Those telecommunications providers are collectively referred to as *contributors*. Over 3,300 contributors submitted total USF contributions of approximately \$9.1 billion in 2021.

The bulk of OI's work involves investigating and supporting civil and criminal investigations and prosecutions of fraud in the FCC subsidy programs. The Assistant Inspector General for Investigation (AIGI) and investigations staff routinely work with other state, local and federal agencies on these matters. These coordinated investigatory and prosecutorial efforts, especially those involving DOJ, the Department of Education (DOE) and its OIG, and various U.S. Attorneys, have resulted in many successes, including civil settlements and criminal convictions.

Most of our ongoing investigations are not known to the public and even some closed investigations cannot be disclosed because of sensitivities that could impact related ongoing matters. Specifically, the OI is engaged in multiple, ongoing, large-scale investigations, as well as Qui Tams under seal, seeking damages pursuant to the Federal False Claims Act (FCA). We hope to share details about these matters in the near future. We have, however, begun to disseminate information that can be made publicly available more widely, with the expectation that details of our work will serve as a deterrence against future fraud. In addition to posting news releases on the FCC OIG's webpage and on our social media sites, in response to OI's request, USAC has also been posting OI headlines, such as press releases and other significant items, to USAC's website.

Highlighted below are a few matters that have had public developments during the reporting period:

Lifeline, Emergency Broadband Benefit Program and Affordable Connectivity Program

Proactive work

EBB/Community Eligibility Provision Advisory

On November 22, 2021, OIG issued an advisory letter to alert EBB program providers, beneficiaries, and the public to improper and fraudulent EBB program enrollments made in connection with the USDA's National School Lunch Program's Community Eligibility Provision (CEP). Specifically, the advisory warned that providers' sales agents were enrolling households in the EBB Program by falsely claiming those households included a dependent child who attended a CEP school.

The CEP allows high-poverty schools and school districts (CEP schools) to provide breakfast and lunch at no charge to all students, regardless of income status. Households do not apply for CEP school lunch benefits, and government agencies do not maintain databases that list all of the households with a dependent child who attends a CEP school. Under EBB program rules, if a dependent child of a household attended a CEP school on the Food Research & Action Center list of CEP Schools, the household qualified for EBB support.

USAC verified household eligibility to participate in the EBB Program using the National Verifier. Households which participate in other qualifying programs like SNAP and Medicaid are registered in centralized databases, and the Verifier confirmed their EBB eligibility by matching consumer information in the SNAP and Medicaid databases. The Verifier could not confirm CEP household participation by querying a CEP database as no such database exists. Instead, prior to OI's advisory, the National Verifier required the applicant (or the assisting sales agent) to identify the CEP school the child attended by selecting from a dropdown list of CEP schools in the database. Applicants and sales agents could select any CEP school or school district on the database list without furnishing evidence that the applicant's child attended the CEP school selected. The National Verifier required the consumer or sales agent to enter information about the dependent child who attended the CEP school.

OI determined sales agents working for EBB providers learned they could bypass program eligibility safeguards merely by indicating an applicant had a child who attended a CEP school

and then selecting a CEP school from the National Verifier dropdown list. Many sales agents used the same schools over and over again to complete fraudulent enrollments. As a result, OI's analysis of EBB program data revealed that many more households claimed they had a dependent child at specific CEP schools than the number of students who were actually enrolled in those schools.

The advisory discussed a number of examples where schools were used as the basis to enroll more households in the ACP than the schools had students enrolled. One Florida CEP school was used to enroll more than 1,800 households in the EBB Program even though only 200 students attended the school. Another Florida CEP school with 152 students was used as the basis to enroll more than 1,000 households in the EBB Program. OI found similar patterns in other states including Alaska, Arizona, California, Colorado and New York.

The advisory also revealed other indicia of fraud among the CEP-based EBB enrollments.

- More than 80% of CEP-based enrollments failed to identify the dependent child who attended the CEP school as required by the National Verifier.
- Repetitive use of provider retail addresses as the purported home address for dozens of households. [OI later determined sales agents used various provider retail addresses as the purported home addresses for over 1,800 CEP-based EBB enrollments.]
- Unreasonable distances between the address of EBB households and their purported CEP school. For example, the advisory noted that more than 2,000 EBB households lived more than 50 miles from their designated CEP school.

The providers responsible for these improper enrollments paid sales agents commissions for each successful EBB enrollment. OI determined sales agents were incentivized to engage in this fraudulent conduct to maximize the commissions they earned.

The FCC took a number of steps to remediate the fraud uncovered in OI's advisory. First, the Commission changed the National Verifier application process to require households seeking to qualify for the EBB Program based on CEP participation to provide additional information to the National Verifier about the student who attended a CEP school and to provide official school documentation demonstrating that the household had a child enrolled at the designated CEP school.

Second, the Commission directed USAC to reverify the eligibility of households enrolled in EBB based on the CEP. USAC recently completed the reverification. Of the 185,844 households who enrolled in EBB based on CEP participation, only 9,843 (5.3%) households requalified while 176,002 households were de-enrolled from the program. While a number of factors may influence the outcome of reverification efforts, we are confident our advisory has saved the program millions of dollars each month in wasteful disbursements. The Commission also announced it would take other remedial measures including recouping improperly disbursed funds.

In addition to issuing the advisory, OI recommended that USAC lock out 36 sales agents who participated in the fraudulent conduct. USAC completed the recommended lockouts in December 2021 and locked out an additional 40 sales agents engaged in similar conduct on its own initiative in March 2022. OI and USAC continue to consider evidence for additional sales agent lockouts.

OI Recommendations to Mitigate Fraud, Waste and Abuse in the Affordable Connectivity Program

On November 15, 2021, the President signed the Infrastructure Investment and Jobs Act which modified and extended the EBB Program into a longer-term broadband subsidy program, the ACP. As we reported in our October 1, 2020 – March 31, 2021 SAR, OI previously made a number of recommendations to mitigate fraud, waste and abuse in the EBB Program when the Commission was drafting EBB program rules, many of which were adopted. Thus, after the Commission sought comment on the implementation of the ACP, OI provided to the FCC a set of detailed recommendations on ways to reduce fraud, waste and abuse in the new program. OI made recommendations regarding provider participation, provider responsibility, sales agents, household eligibility, enrollment, recertification and de-enrollment, usage, provider certifications and reimbursement, consumer protection, document retention, and enforcement. The Commission adopted many of our recommendations.

- Prohibiting Providers from Paying Commission-Based Compensation to Sales Agents: OI investigations have repeatedly demonstrated that sales agent enrollment of subscribers is the biggest entry point of fraud in the Lifeline Program and programs based on Lifeline. While the Commission declined to adopt our recommendation for prohibiting commissions paid to sales agents involved in EBB enrollments when it issued the EBB

program rules, OI presented additional evidence of improper sales agent conduct, including OI's CEP advisory, to convince the Commission to prohibit the payment of commissions to sales agents by providers under ACP rules. Nevertheless, OI is aware of attempts by providers and other provider-linked entities to convince the Commission to limit the scope of the prohibition in ways that may harm program integrity. OI will remain watchful of developments related to the compensation of sales agents who market ACP service.

- Intra-Provider Duplicates: The Commission adopted our recommendation to require ACP providers to check their internal records for duplicates before enrolling a household in the ACP. Not only does the Lifeline Program already require providers to complete this step prior to enrollment, OI shared the results of our preliminary analysis which showed more than 13,000 duplicate accounts were enrolled in the EBB Program by early December. The duplicates OI found consisted solely of individual consumers who had two or more concurrent services, including one consumer who had 10 active EBB accounts. Moreover, OI observed that many of the duplicate accounts were enrolled by a single provider. Providers are best equipped to check their own records before providing a consumer with ACP service. [OI also shared our analysis with USAC, which led to improvements in the duplicate-detection capabilities of NLAD.]
- Provider Certifications: OI recommended a number of certifications accompany various filings made by providers including reimbursement requests. In addition, the Commission included a number of recommendations related to provider responsibility and liability in the annual certification providers are required to execute.
- Various Document & Record Retention Requirements: The Commission adopted many of OI's recommendations related to document and record retention requirements to facilitate OIG investigations and audits.

Despite adopting many important OI recommendations, the Commission declined to implement other recommendations we continue to believe are important for program integrity:

- Last Four Digits of Consumer's Social Security Number (L4SSN): OI recommended the Commission require consumers provide their L4SSN as is already required for Lifeline enrollments. The National Verifier and NLAD use the L4SSN to complete the Third-Party Identity Verification (TPIV) check during enrollment. The TPIV check serves four interrelated goals: 1) preventing the enrollment of non-existent, fictitious, and fabricated identities; 2) preventing the enrollment of deceased people; 3) confirming that the

essential PII (name, DOB, and L4SSN)—as submitted by the provider (or the customer)—are reasonably accurate and rejects those that are inaccurate; and (4) helping USAC systems identify and block duplicative enrollments. The Commission’s failure to adopt this recommendation makes those processes less robust.

- Enrollment/Transfer Verification Recommendation: To address the numerous complaints that have been filed with the Commission and USAC concerning nonconsensual EBB service transfers and enrollments, leading to fraud and waste, OI recommended that the Commission require households to independently verify their new enrollment and transfer requests through an affirmative response to a text or email. OI investigations show that too many consumers were enrolled in Lifeline and EBB without their knowledge or consent and too many consumers who were enrolled never receive the service. Moreover, the consumer email and phone contact information furnished by providers during the enrollment process is frequently invalid calling into question the sufficiency of the enrollment processes. Requiring consumers to confirm enrollment in these programs using the contact information furnished during the application process would remediate many of these concerns.
- Usage Records: After repeated failures of providers to adequately measure usage and de-enroll customers for non-usage in the Lifeline Program, OI recommended that the Commission require providers to report customer data usage when seeking monthly reimbursement for ACP service. The Commission has a usage requirement to prevent large-scale program waste—to ensure federal funds are not paid out for a service the consumer is not using. Providers already must analyze consumer usage to comply with the ACP usage requirements. The burden of sharing the results of their analysis would be minimal compared to the many benefits of having that data available for policymakers and law enforcement. Our investigative experience in the months since we first made this recommendation only deepens our concern that some providers are seeking reimbursement for services that are not being used by consumers.

In addition to the recommendations we shared with the Commission in early December 2021, we also alerted the Commission to anomalies we detected in EBB enrollment data related to the Representative Accountability Database (RAD) and recommended the Commission enhance its RAD requirements. Specifically, we determined that a number of providers, including large providers, 1) failed to register their agents in RAD; and 2) failed to furnish information regarding sales agent involvement in National Verifier and NLAD transactions.

As we pointed out in our recommendations at the time, the RAD, like other databases, is only as useful as the information collected and recorded. Unless providers register all of their agents and furnish complete information regarding agent involvement in enrollment transactions, the Commission cannot fully leverage the potential of the RAD to reduce fraud, waste, and abuse in the program.

Collaboration With State Law Enforcement Uncovers 3,600 Fraudulent Lifeline and EBB Accounts

As result of information exchanged between OI and state law enforcement personnel between September and December 2021, OI identified over 3,000 Lifeline accounts and over 600 EBB accounts that were enrolled using fraudulent state benefits to qualify for Lifeline and EBB benefits.

In March 2022, OI sent a memo to FCC Office of Managing Director and FCC Wireline Competition Bureau (WCB) recommending they either de-enroll or re-verify the 3,600 accounts we identified as having been enrolled based upon fraudulently created state public benefits accounts. We also recommended the agents responsible for creating the 3,600 enrollments be locked out from further activity in these programs. Finally, we recommended the Commission consider enhancing the process by which agents register with the RAD to make it more difficult for agents to register using stolen identity information.

ACP Deceptive Enrollment Practices Advisory

OIG issued an advisory on March 11, 2022, to alert ACP providers, beneficiaries, and the public about deceptive and improper enrollment practices used by several providers in their online enrollment processes for Lifeline and ACP services. OI observed that during the online application process, in contravention of the FCC's rules, consumers seeking only Lifeline service could be misled into enrolling in ACP service. Specifically, the providers' application process forced consumers who apply for Lifeline service to agree either to apply for new unwanted ACP service or to transfer their existing ACP service as a condition of successfully completing their Lifeline application.

Lifeline provides monthly support to carriers of up to \$9.25 per eligible subscriber while a claim for an ACP subscriber is, separately, up to an additional \$30 per month; even more money is at issue in Tribal or a high cost area. In at least one instance, the provider required the consumer to transfer their current ACP service even after the consumer indicated they only sought Lifeline service from that provider. The application even pre-populated the subscriber's initials to continue with an enrollment which included ACP service. In addition to issuing the advisory, OI referred specific information regarding several providers to the FCC Enforcement Bureau for investigation.

In response to OI's findings, WCB announced supplemental program integrity measures, including requiring USAC to conduct program integrity reviews of the enrollment and onboarding practices of ACP providers.

USAC Modifies its Website Following OI Recommendation

At OI's recommendation, USAC modified its Lifeline website which had directed Lifeline subscribers to file reports with the FCC's Lifeline Fraud Tip Line when reporting matters such as identity theft, duplicate accounts or unqualified subscribers who were receiving Lifeline service. These directions contributed to the volume of reports the Tip Line received, including complaints about a Lifeline company's poor performance, which were more appropriately addressed to the FCC's Consumer Complaint Center rather than the Fraud Tip Line. The website now directs Lifeline subscribers and the general public to file such reports with USAC directly or the FCC's Consumer Complaint Center.

The Fraud Tip Line, as administered by the FCC's Enforcement Bureau, is designed to receive reports of fraudulent activity by companies and agents, rather than to capture reports about a Lifeline subscriber having more than one account, fraudulent enrollments by unqualified individuals, or to provide assistance with consumer complaints or identity theft resulting in fraudulent enrollments. As a practical matter, the public was disserved when it was directed to file these reports on the Fraud Tip Line because they were not addressed by the Enforcement Bureau. Moreover, USAC was unknowingly disbursing Lifeline funds to some Lifeline providers for duplicate accounts and for individuals who were not qualified to receive Lifeline service.

USAC, rather than the Commission, can now efficiently resolve these matters because it can investigate reports about subscriber eligibility, duplicate accounts and stolen identities directly using NLAD and the National Verifier. And, subscribers will now be directed to file an informal complaint with the FCC’s Consumer Complaint Center to resolve complaints about their Lifeline provider’s performance.

Ongoing Investigations

TracFone Wireless, Inc. Settles a False Claim with the Department of Justice and the FCC

On March 29, 2022, the U.S. District Court for the Middle District of Florida approved a civil settlement between DOJ, the FCC and TracFone Wireless, Inc. (TracFone), a telecommunications carrier based in Miami, Florida. In addition to the funds TracFone already returned to USAC, TracFone agreed to pay \$2.5 million as part of a civil settlement to resolve allegations it violated the FCA by enrolling more than 175,000 ineligible subscribers in the Lifeline Program. A detailed investigation by our office and the Justice Department revealed that between 2012 and 2015 TracFone did not have adequate internal controls and other Lifeline compliance measures in place, including adequate personnel to monitor the enrollment process.

All of the subscribers improperly claimed were located in Florida and the majority of these subscribers who were enrolled were ineligible veterans or Medicare beneficiaries. TracFone hired marketing companies, including Elite Promotional Marketing, Inc. (Elite), to conduct in-person “street team” marketing. Elite and other marketing companies then retained individuals, typically through commission-based payments, to act as independent sales agents. Sales agents working on the TracFone marketing campaign in Florida, particularly at Elite, learned that TracFone’s computer software contained a glitch that allowed any person to enroll in Lifeline if certain steps were followed and targeted these and other individuals who otherwise would not qualify. The Florida agents exploited this loophole to increase their consumer enrollments and commission payments and focused on specific populations, such as veterans.

The government also alleged that, in addition to the glitch itself, TracFone failed to adequately review the applications and did not properly investigate reports of ineligible subscribers who were successfully enrolled in the program via this loophole. TracFone OA learned of the

software glitch through issues raised by Public Service Commission of Florida, in August 2015. TracFone then repaid more than \$10.9 million to the Lifeline Program.

Contemporaneous with the civil settlement, TracFone agreed to enter into a corporate compliance plan with the FCC. The compliance agreement requires TracFone to designate a compliance officer, establish a compliance oversight team comprised of senior executives, train TracFone employees and its marketing agents on both the Lifeline Program and the ACP, require background checks for TracFone employees and marketing agents, and maintain comprehensive monitoring and reporting requirements. Violation of the compliance agreement will subject TracFone to significant remedies.

The settlement with TracFone resolves a lawsuit filed under the whistleblower provisions of the FCA, which permits private parties to file suit on behalf of the United States for false claims and share in a portion of the government's recovery. The civil lawsuit was filed in September 2015 by a former Lifeline sales representative at Elite who alleged that he and other agents in Florida were trained by Elite to enroll veterans by choosing non-applicable qualifying Lifeline programs. Elite previously settled with the United States for \$95,000 based on ability to pay.

OI staff began reviewing data in the \$3.1 billion program to identify potential fraud and has begun work developing potential cases in this area. OI anticipates issuing advisory letters and opening new cases in the next reporting period based on its findings.

While the EBB Program will transition to the ACP at the close of this reporting period, OI anticipates continuing investigative work into EBB Program fraud.

E-Rate and Emergency Connectivity Fund Programs

Proactive Work

Creation of an Online Competitive Bid Repository within EPC

The Commission released its Notice of Proposed Rulemaking which would seek comments on establishing a competitive bid repository. OI will continue to monitor the filings in this

proceeding as well as FCC and USAC efforts to create a competitive bidding portal for the E-rate program and offer suggestions where appropriate.

Outreach to State Departments of Education

In order to facilitate cooperation between the FCC OIG and state DOEs, we sent a letter to each state's DOE requesting they reach out to us and report instances of fraud, waste, abuse or other suspicious activity occurring in their state related to the E-rate and ECF programs. The FCC OIG views state DOEs as important partners in detecting serious problems and misconduct related to these programs as we recognize they are closer to the institutions receiving federal support and the frontlines of fielding complaints than we are in Washington D.C. We identified certain information our office would find valuable, including:

- Patterns of E-rate or ECF Program complaints which suggest misconduct, fraud or a violation of FCC rules.
- State DOE investigations of schools and libraries receiving federal E-rate or ECF support where the investigations involve telecommunications equipment or services, even if tangentially.
- State investigations of individual employees of a school or library that receives subsidies even if the allegations do not directly implicate telecommunications.
- Information shared with state regulators about the E-rate or ECF Programs in your state.
- Whistleblower allegations relating to fraud, waste or abuse of the E-rate or ECF Program by service providers, schools, libraries or program consultants.
- Other violations of federal laws or regulations that may also involve the E-rate or ECF Program.

Suspension and Debarment Recommendation

As noted in previous SARs, OI has been tracking Commission efforts to expand the Commission's suspension and debarment criteria to cover additional circumstances not yet addressed. Currently, suspension and debarment actions at the Commission are extremely limited and only occur in instances where a criminal conviction or civil judgment arising out of activities associated with or related to the USF has occurred. The limited nature of this criteria hampers both OI and the Commission's efforts to protect the USF from non-responsible persons and entities.

The Commission issued a “Modernizing Suspension and Debarment Rules” Notice of Proposed Rulemaking in November 2019 and the Notice was published in the Federal Register on January 14, 2020. The Commission collected comments and reply comments on its proposed Suspension and Debarment rules through March 16, 2020. As requested by the Commission, in September 2020, OI provided additional information to the Commission following the close of the comment period. OI recently became aware of progress on the Suspension and Debarment rulemaking and expects the Commission to issue rules and regulations in the next reporting period.

As noted in the last reporting periods, on April 30, 2019, OI become aware of Commission activity granting multiple appeals filed by two schools in the E-rate Program, seeking additional time to respond to USAC requests for information. Individuals associated with these two schools have either been found guilty of federal program fraud or work for an E-rate consultant who is currently under indictment for E-rate Program fraud. If a robust suspension and debarment program existed at the Commission, it may have prevented these schools from receiving funding from the Program.

Additionally, with new programs at FCC, including for example, the EBB Program, the ACP and the ECF, the Commission is unable to take swift and effective steps to protect itself from actors who would seek to take advantage of new funding sources. It is imperative that the Commission join much of the rest of the government and adopt robust and effective suspension and debarment rules.

Notification Process for Cancelled FCC Forms 470

As noted in the last reporting period, OI became aware that USAC does not employ a mechanism to notify service providers when an applicant seeks to or has cancelled its FCC Form 470. OI informed the FCC WCB of this recommendation on April 1, 2019 and was informed in December 2019 that FCC staff have started the process of looking into the feasibility of adding a status filed for the FCC Form 470 when it has been cancelled. OI is unaware of Commission progress on this recommendation.

Ongoing Investigations

OI's E-Rate Investigations team continues its work on ongoing investigations of E-rate and ECF service providers, recipients and consultants. OI has continued to open new investigations and has been assisting the Justice Department and United States Attorney's Offices around the country to pursue civil and criminal fraud cases in these programs.

New York Based Service Providers, Consultants and School Officials

The sentencings of Peretz Klein, Susan Klein, Ben Klein, Sholem Steinberg, Simon Goldbrener, Mosche Schwartz, and Aron Melber originally scheduled for May and June 2020 were adjourned when the federal Courthouse closed. A new date has not yet been scheduled.

Former Kentucky Based Vendors

On February 9, 2022, Charles A. "Chuck" Jones of Murray, Kentucky pled guilty to one count of conspiracy to commit wire fraud pursuant to a plea agreement. Jones's trial had been scheduled to commence on February 7, 2022 in Memphis, Tennessee on wire fraud and conspiracy charges. Jones pled guilty to a decade-long scheme and conspiracy to defraud the E-rate Program. Jones paid kickbacks to a Tennessee-based E-rate consultant, which corrupted the required fair and open competitive bidding process. Additionally, in furtherance of the conspiracy, Jones and his co-conspirators made false statements and submitted false documents to the E-rate Program to make it appear that all rules and requirements had been met, for example, submitting false documentation to make it appear the required co-payments had been invoiced to schools in Missouri and Tennessee. Jones's conspiracy caused a loss to the program of approximately \$6.9 million. Jones's sentencing is scheduled for June 1, 2022 and the charge to which he pled carries a maximum possible term of imprisonment of 20 years. The sentencing of one of Jones's co-conspirators, Mark J. Whitaker also of Murray, Kentucky, is rescheduled to a later date. Whitaker pled guilty in federal court in Memphis, TN in February 2020 to concealing the decade-long E-rate Program wire fraud scheme (18 U.S.C. § 4) and admitted to actively concealing a scheme by his co-conspirator, Jones, to defraud the E-rate Program.

Referrals to Enforcement Bureau and USAC

OI continues to track the progress made by the Enforcement Bureau and USAC concerning the various referrals OI provided for possible enforcement action. The majority of matters referred to the Enforcement Bureau and USAC are still pending. OI anticipated sending additional referrals during the current reporting period, but difficulties accessing USAC's data and limited data analytics staffing at FCC OIG prevented the creation of additional referrals.

Emergency Connectivity Fund

OI has finally obtained the necessary ECF data after multiple months of working with WCB and USAC. Using this data, OI identified a suspicious vendor associated with millions in ECF requests and commitments. In addition to opening an investigation, OI notified USAC of the multiple red flags associated with the suspicious vendor. During the current reporting period, OI plans to utilize a newly hired contractor to analyze ECF data to identify potential fraud, waste, and abuse. OI intends to devote significant resources to ensure the funds are utilized appropriately by the intended beneficiaries. OI expects it will commence conducting in-person inspections of ECF recipients in the next reporting period as the COVID-19 pandemic is beginning to subside and travel for OI staff is now again feasible.

OI has been tracking additional legislation which would add \$4 billion to this Program (in addition to the \$7 billion already authorized). Given the near doubling of overall funds OI is responsible for overseeing, additional staffing including both attorneys and law enforcement officers would be useful to assist us in furthering our mission.

Rural Health Care Program

OI has continued to see an increase in the number of referrals for potential RHC fraud from the RHC program administrator.

COVID-19 Telehealth Program

OI continues to monitor this program.

Contributions

OI staff have continued to review data from service provider contributions to the USF and have developed concerns related to the failure of certain entities to provide their required contributions into the Fund. OI devoted significant resources to investigating these matters during the current reporting period.

Connect America Fund Phase II

OI staff have begun reviewing data and investigating service provider compliance with Connect America Fund Phase II (CAF II) requirements. In addition, OI investigated specific allegations concerning the failure to properly meet CAF II requirements during the current reporting period.

OI Data Analytics Efforts

OI's data team continues to proactively pursue potential fraud, waste, and abuse of the USF as well as the Congressionally appropriated subsidy programs. In addition to the ongoing efforts to identify data indicative of fraudulent behavior in the E-rate, ECF, Lifeline, EBB, and ACP programs, OI's data team began working with datasets pertaining to TRS and IP-CTS service providers during the current reporting period.

OI's data team has also continued to develop automated processes to streamline data loading and reporting, particularly those related to the regularly refreshed data OI receives from USAC. In early 2022, the data team gained access to regularly refreshed ECF program data.

During this reporting period OI hired a contractor to conduct proactive analysis of potential fraud, waste, and abuse of ECF program disbursements and has expects to add another full-time data analyst to the team early in the next reporting period.

Internal Affairs

The IG is authorized by the IG Act, as amended, to investigate allegations of fraud, waste and abuse occurring in FCC operations. Matters of possible wrongdoing are referred to OIG in the form of allegations or complaints from a variety of sources, including FCC employees,

contractors, other government agencies and the general public. OI investigators are currently engaged in completing an investigative referral from CIGIE alleging IG misconduct.

Office of Inspector General Hotline

OIG maintains a Hotline to facilitate the reporting of allegations of fraud, waste, abuse, mismanagement or misconduct in FCC programs or operations. Commission employees and concerned citizens may report such allegations to the Hotline at (202) 418-0473 or toll free at (888) 863-2244 or by e-mail at hotline@fcc.gov. OIG's Hotline is available 24 hours a day, seven days a week via a recorded messaging system.

Many of the allegations received by the Hotline raise issues that do not fall within the jurisdiction of the FCC or the OIG, and many do not rise to the level of devoting investigative or audit resources to the claim. Upon receipt of a specific claim of fraud, waste, abuse, or mismanagement, OIG may, where appropriate, take any one of the following actions:

1. Open an OIG investigation or audit.
2. Refer the matter to an FCC Bureau or Office for appropriate review and action.
3. Refer the allegation to another Federal agency. For example, complaints about fraudulent sweepstakes are referred to Federal Trade Commission (FTC).

Consumers who have general questions, consumer complaints, or issues not related to fraud, waste and abuse, should contact the FCC's Consumer & Governmental Affairs Bureau (CGB) at www.fcc.gov/cgb, or contact the FCC's Consumer Center by calling 1-888-CALL-FCC (1-888-225-5322) voice or 1-888-TELL-FCC (1-888-835-5322). CGB develops and implements the Commission's consumer policies, including disability access. The FCC Consumer Center processes public inquiries, informal complaints, and questions regarding cable, radio, satellite, telephone, television and wireless services. The goal of this process is to foster a mutually satisfactory resolution of the complaint between the service provider and its customer.

During the current reporting period, OIG received:

1. 9,186 Hotline contacts. Of these, none were referred to OIG for possible case opening.
2. 77 were referred to FCC Consumer Center or other FCC Bureaus.
3. 484 were referred to other agencies.

OFFICE OF AUDITS

Under the authority of the IG Act of 1978, as amended, the Office of Audits (OA) conducts or contracts for independent and objective audits, inspections, evaluations, and other related projects. These projects promote economy, effectiveness, and efficiency in FCC programs and operations, and detect and deter fraud, waste, and abuse. OA projects are conducted in accordance with relevant professional standards, including *Generally Accepted Government Auditing Standards* (also known as Government Auditing Standards or the Yellow Book) and *Council of the Inspectors General on Integrity and Efficiency Quality Standards for Inspection and Evaluation*.

OA is organized into three divisions:

- the Operations, Financial, and Information Technology Division (OFID),
- the Universal Service Fund Division (USFD), and
- the Policy and Quality Assurance Division (PQAD).

OFID and USFD perform audits, evaluations, inspections, and other projects. PQAD develops OA policies and procedures, performs internal quality assurance reviews to ensure OA compliance with applicable professional standards, coordinates external peer reviews of the FCC OIG by other OIGs, and leads external peer reviews of other OIGs in accordance with CIGIE guidance.

Highlights of the work contracted for and performed by OA during the current reporting period are provided below. External peer reviews are discussed in [Appendix A](#).

Operations, Financial, and Information Technology Division

OFID conducts mandatory and discretionary audits, inspections, and evaluations of FCC programs and operations. OFID's annual mandatory projects include the annual Financial Statement audit, the Federal Information Security Management Act (FISMA) evaluation, and the Payment Integrity Information Act (PIIA) audit. OFID is also responsible for other periodic

mandated projects such as those related to the COVID-19 pandemic response, the Commission’s privacy and data protection initiatives, the Digital Accountability and Transparency Act, and the government charge card program.

OA contracts with Independent Public Accountant (IPA) firms for many of the mandatory projects. OFID uses a risk-based approach to select discretionary projects and, depending on available staffing and other resources, may complete the projects in-house or contract the projects to IPA firms. OFID oversees and monitors all contracted services.

OFID completed three projects during this reporting period. Five OFID projects are in process and will be summarized in a future report.

Completed OFID Projects

[Federal Communication Commission’s FY 2021 Implementation of the Digital Accountability and Transparency Act of 2014 \(Report No. 21-AUD-06-02\)](#)

In accordance with the Digital Accountability and Transparency Act (DATA Act) of 2014 and Office of Management and Budget (OMB) Bulletin 15-12, *Increasing Transparency of Federal Spending by Making Federal Spending Data Accessible, Searchable, and Reliable*, dated May 8, 2014, Federal agencies are required to report financial and spending information to the public through [USAspending.gov](#). OA contracted with Kearney & Company (Kearney), an Independent Public Accounting firm, to audit the FCC’s fiscal year (FY) 2021 first quarter (Q1) financial and award data submitted to the Department of Treasury for publication on [USAspending.gov](#). Kearney’s audit report, dated November 8, 2021, included five findings and made nine recommendations, to which FCC management concurred.

In the first finding, Kearney reported that the FCC submitted its Q1 FY 2021 spending data in advance of the Government-wide reporting deadline. However, the FCC’s submission was incomplete. Specifically, the FCC did not submit transaction-level component spending data for one of its funds, the TRS fund. In the remaining four findings, the auditors reported that the USF sampled spending data contained a high number of completeness, accuracy, and timelessness errors in one or more data elements and did not meet the quality requirements outlined by OMB.

[Federal Communication Commission's FY 2021 Consolidated Financial Statements Audit \(Report No. 21-AUD-06-01\)](#)

Federal law requires the FCC to prepare annual consolidated financial statements and the OIG to audit those statements. Under the oversight of OA, Kearney performed an audit of the FCC's FY 2021 consolidated financial statements. Kearney's audit resulted in the issuance of three reports dated November 15, 2021.

In the Independent Auditor's Report on the Financial Statements Kearney expressed an unmodified opinion. Kearney did not report any instances of noncompliance in the Report on Compliance and Other Matters. In the Report on Internal Controls over Financial Reporting, Kearney reported two significant deficiencies. The first significant deficiency was related to information technology (IT) controls for FCC and USF, which was a repeat issue from fiscal year 2020 and prior year audit reports. The second deficiency resulted from a material erroneous financial transaction for civil money penalty (CMP) receivables and custodial revenues that was not detected by the FCC's internal controls

Kearney made 13 recommendations to improve the effectiveness of the FCC and Universal Service Administrative Company's IT controls. The details of the IT findings and recommendations were included in the separate FISMA evaluation report. In addition, Kearney made three new audit recommendations to strengthen the processes and controls over CMP receivables and custodial revenues. FCC management concurred with all the findings and recommendations cited in the audit report.

[Federal Communications Commission's FY 2021 Federal Information Security Modernization Act Evaluation \(Report No. 21-EVAL-06-01\)](#)

The FISMA legislation requires federal agencies, to develop, document, and implement an agency-wide program to provide information security for the information and information systems supporting the operations and assets of the agency. FISMA also requires agency IGs to conduct or contract for an independent evaluation of the agency's information security program annually. Under the oversight of OIG, Kearney performed the FY 2021 FISMA evaluation and based on their results, the OIG submitted the completed *FY 2021 DHS IG FISMA Metrics* questionnaire, for government-wide reporting to Congress, on October 29, 2021. Subsequently,

on December 15, 2021, the OIG issued both public and non-public versions of the FY 2021 FISMA Evaluation Report.

Kearney concluded that the FCC’s information security program was effective and in compliance with FISMA legislation, OMB memoranda, and other applicable guidance. This is the first year that the agency’s information security program has been in compliance, which is a significant accomplishment. Kearney found security deficiencies and instances of noncompliance in four of eight FISMA IG metric domains. The draft evaluation report includes seven findings and 13 recommendations intended to improve the effectiveness of the FCC’s information security program controls. Of the seven findings, one (Identity and Access Management) is considered a significant deficiency, which requires the immediate attention of agency leadership. Additionally, six of the seven findings address security weaknesses repeated or updated from prior years. Management concurred with the report findings and recommendations.

In-Process OFID Audits and Other Projects

Federal Communication Commission's FY 2022 Consolidated Financial Statement Audit (Project No. 22-AUD-06-01)

Federal Communications Commission’s FY 2022 Federal Information Security Modernization Act Evaluation (Project No. 22-EVAL-06-01)

Audit of FCC’s Compliance with the Emergency Broadband Benefit Program (COVID-19 Pandemic Response) Requirements (Project No, 21-AUD-10-01)

Privacy and Data Protection Inspection (Project No. 21-INSP-10-01)

FY 2021 Audit of the Federal Communication Commission’s Compliance with the Payment Integrity Information Act of 2019 (Report No. 22-AUD-01-01)

Universal Service Fund Division

The USFD audits and inspects USF program service providers and beneficiaries and is organized into three functional audit directorates:

- Contributors and Lifeline
- High Cost
- E-rate and Rural Healthcare

USFD projects are designed to detect and prevent fraud, waste, and abuse, and to promote economy, effectiveness, and efficiency in USF programs. USFD performs random and targeted audits and inspections of USF program providers and beneficiaries based on our assessments of program risks. Our risk-based approach helps us focus our limited resources on the areas with the highest risk, in the most cost-effective manner. When planning and performing audits, USFD communicates with USAC's Internal Audit Division, and shares information such as emerging program risks, prior audit results, data sources and testing tools, and new USF program developments and initiatives.

Two USFD projects are in process and will be summarized in a future reporting period.

In-Process USFD Audits and Other Projects

Audit of Head Start Telecom, Inc. (Lifeline Program) (Project No. 18-AUD-01-01)

Audit of Spruce Knob Seneca Rocks Telephone Company (High Cost Program)
(Project No. 18-AUD-08-07)

REPORTING REQUIREMENTS

The following are OIG’s responses to the 22 specific reporting requirements 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.

Please refer to the sections of this report titled “Office of Audits” and “Office of Investigations.”

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

Please refer to the sections of this report titled “Office of Audits” and “Office of Investigations.”

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

Information technology (IT) security recommendations represent the most significant recommendations from previous semiannual reports for which corrective actions have not yet been completed. Currently there are 13 open IT security recommendations that were identified in prior FISMA and other IT audits and evaluations. Those recommendations address identity and access management, information security continuous monitoring, risk management, and configuration management. We consider the FISMA recommendations for improving the FCC’s identity and access management to be the most significant. FCC needs to prioritize corrective actions to resolve open, prior year IT security recommendations to limit risk of unauthorized access to FCC data and focus its attention on recommendations older than three years.

Except for the public version of the FISMA report, all of OIG’s IT-related reports contain sensitive, non-public information regarding the FCC’s information security program and infrastructure. Accordingly, the reports are not released to the public.

Please also refer to the E-rate and Lifeline matters, discussed in the section of this report titled “Office of Investigations.”

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

Please refer to the section of this report titled “Office of Investigations.”

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

During this reporting period, no report was made to the Chairwoman of the FCC under section 6(b)(2) of the Inspector General Act of 1978, as amended.

6. A listing, subdivided according to subject matter, of each audit report, inspection report, and evaluation 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.

During this reporting period, no reports were issued with questioned costs or recommendations that funds be put to better use.

7. A summary of each particularly significant report.

Each significant audit and investigative report issued during the reporting period is summarized within the “Office of Audits” and “Office of Investigations” sections of this report.

8. Statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the total dollar value of questioned costs (including a separate category for the dollar value of unsupported costs), for reports— (A) for which no management decision had been made by the commencement of the reporting period; (B) which were issued during the reporting period; (C) for which a management decision was made during the reporting period, including-

(i) the dollar value of disallowed costs; and (ii) the dollar value of costs not disallowed; and (D) for which no management decision has been made by the end of the reporting period.

During this reporting period, no reports were issued with questioned costs.

9. Statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the dollar value of recommendations that funds be put to better use by management, for reports: (A) for which no management decision had been made by the commencement of the reporting period; (B) which were issued during the reporting period; (C) for which a management decision was made during the reporting period, including— (i) the dollar value of recommendations that were agreed to by management; and (ii) the dollar value of recommendations that were not agreed to by management; and (D) for which no management decision has been made by the end of the reporting period.

During this reporting period, no reports were issued with recommendations identifying funds put to better use.

10. A summary of each audit report, inspection report, and evaluation report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period: (A) for which no management decision had been made by the end of the reporting period (including the date and title of each such report), an explanation of the reasons why such a management decision has not been made, and a statement concerning the desired timetable for achieving a management decision on each such report; and (B) for which no establishment comment was returned within 60 days of providing the report to establishment; and (C) for which there are any outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations.

See [Appendix B: Reports Issued in Prior Periods for which a Management Decision is Pending as of March 31, 2022](#).

11. A description and explanation of the reasons for any significant revised management decision made during the reporting period.

No management decision falls within this category.

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

No management decision falls within this category.

13. The information described under section 804(b) of the Federal Financial Management Improvement Act of 1996.

No report required by 804(b) of the Federal Financial Management Improvement Act of 1996 was issued during this reporting period.

14. An appendix containing the results of any peer review conducted by another Office of Inspector General. If no peer review was conducted within the reporting period, a statement identifying the date of the last peer review conducted by another Office of Inspector General.

The FCC OIG did not perform a peer review of another OIG during the reporting period. See [Appendix A: Peer Review Results](#).

15. A list of any outstanding recommendations from any peer review conducted by another Office of Inspector General that have not been fully implemented, including a statement describing the status of the implementation and why implementation is not complete.

No recommendation from a prior peer review conducted by another Office of Inspector General remains partially implemented. See [Appendix A: Peer Review Results](#).

16. A list of any peer reviews conducted by the Inspector General of another Office of the Inspector General during the reporting period, including a list of any outstanding recommendations made from any previous peer review (including any peer review conducted before the reporting period) that remain outstanding or have not been fully implemented.

The FCC OIG did not conduct any peer reviews of another Office of Inspector General during this period.

17. Statistical tables showing— (A) the total number of investigative reports issued during the reporting period; (B) the total number of persons referred to the Department of Justice for criminal prosecution during the reporting period; (C) the total number of persons referred to State and local prosecuting authorities for criminal prosecution during the reporting period; and (D) the total number of indictments and criminal information during the reporting period that resulted from any prior referral to prosecuting authorities.

The “Office of Investigations” section contains the total number of investigation reports during the reporting period. In this reporting period, we referred two individuals to the Department of Justice for criminal prosecution. No person was referred to state or local prosecuting authorities for criminal prosecution, and no indictments or informations were filed during the reporting period.

18. A description of the metrics used for developing the data for the statistical tables under paragraph (17). (Section 5 (a)(17) of the Inspector General Act of 1978, as amended).

The Office of Investigations issues Reports of Investigation to either (1) close an investigation or (2) refer a matter for administrative action or for pursuit of civil or criminal fraud. We do not close a referred matter until it is finally resolved, that is, until action is taken by the Commission in an administrative referral, or until the civil or criminal referral is (a) declined or (b) resolved by the court.

19. A report on each investigation conducted by the Office involving a senior Government employee where allegations of misconduct were substantiated, including a detailed description of: (A) the facts and circumstances of the investigation; and (B) the status and disposition of the matter, including - (i) if the matter was referred to the Department of Justice, the date of the referral; and (ii) if the Department of Justice declined the referral, the date of the declination.

No investigation involving a senior government employee where allegations of misconduct were substantiated was conducted by the Office.

20. A detailed description of any instance of whistleblower retaliation, including information about the official found to have engaged in retaliation and what, if any, consequences the establishment imposed to hold that official accountable.

No findings of whistleblower retaliation were made during this reporting period.

21. A detailed description of any attempt by the establishment to interfere with the independence of the Office, including: (A) with budget constraints designed to limit the capabilities of the Office; and (B) incidents where the establishment has resisted or objected to oversight activities of the Office or restricted or significantly delayed access to information, including the justification of the establishment for such action.

OIG did not experience any attempt by FCC management to interfere with the independence of the Office.

22. Detailed descriptions of the particular circumstances of each: (A) inspection, evaluation, and audit conducted by the Office that is closed and was not disclosed to the public; and (B) investigation conducted by the Office involving a senior Government employee that is closed and was not disclosed to the public.

During this reporting period, no reports were closed and not disclosed to the public.

APPENDIX A

Peer Review Results

The Inspector General Act of 1978, as amended, requires Office of Inspectors General (OIGs) to report the results of peer reviews of their operations conducted by other OIGs, including the date of the last peer review, outstanding recommendations from prior peer reviews, and peer reviews of other OIGs conducted during the semiannual period. Peer reviews are conducted by member organizations of the Council of Inspectors General for Integrity and Efficiency (CIGIE).

Office of Audits peer review results

On October 31, 2019, the Small Business Administration Office of Inspector General (SBA OIG) issued a report on the results of its peer review of the FCC OIG’s system of quality control for its audit operations. The SBA OIG determined that OA’s system of quality control in effect for the year ending March 30, 2019, was suitably designed to provide reasonable assurance that OA is performing audits and reporting the audit results in conformity with applicable professional standards in all material respects. OA received a peer review rating of “Pass.”

Office of Audits Peer Reviews of Other OI

The FCC OIG did not perform a peer review of another OIG during the reporting period.

APPENDIX B

Reports Issued in Prior Periods for which a Management Decision is Pending			
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As of March 31, 2022			
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Report Number	Project Title	Report Date	Comments
12-AUD-12-20	Audit of the FCC Compliance with OMB Circular No. A-130 Revised	3/12/2014	Management did not meet the target date (December 31, 2020) outlined in its corrective action plan and had not demonstrated sufficient progress in implementing one open recommendation. The revised target implementation date is February 28, 2023.

**Office of Inspector General
Federal Communications Commission
45 L Street NE
Washington, D.C. 20554**



Report fraud, waste, and abuse.

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Call Hotline: 202-418-0473