

**Performance Audit of  
The Federal Communications Commission (FCC)  
Wireline Competition Bureau (WCB)  
For Fiscal Year 2014**



*Prepared by:*

**Brown & Company**

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**Date: June 3, 2015**

**Federal Communications Commission (FCC)**  
**Wireline Competition Bureau (WCB)**  
**Performance Audit Report**

**Fiscal Year 2014**

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## 1. EXECUTIVE SUMMARY

On behalf of the Federal Communications Commission (FCC or the Commission), Office of Inspector General (OIG), Brown & Company CPAs and Management Consultants, PLLC completed a performance audit of the FCC's Wireline Competition Bureau (WCB or Bureau). We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit findings and conclusions based on our audit objectives. The scope of the audit was to evaluate the WCB's performance as of September 30, 2014. The objectives of the audit were to evaluate the:

1. effectiveness of the Bureau to accomplish the assigned mission;
2. economy and efficiency of the Bureau in accomplishing its assigned mission; and
3. adequacy and effectiveness of the Bureau's policies and procedures.

Our audit was conducted from April 2, 2014 through January 30, 2015.

We conclude that WCB and its offices and divisions complied with applicable FCC directives, policies, and procedures and effectively accomplished its assigned mission. We also conclude that WCB complied with laws and regulations applicable to its operations, including substantial compliance with Office of Management and Budget (OMB) Circular A-123 *Management's Responsibility for Internal Control*. However, we noted some matters related to the effectiveness and efficiency of the WCB's performance. Specifically, we identified the following conditions:

1. The Bureau-specific risk assessments should be more comprehensive in order to mitigate the risks associated with Federal programs and operations.
2. WCB could benefit from documenting additional Bureau-specific internal control activities.
3. The Bureau needs to respond to the Universal Service Administrative Company's (USAC) request for guidance.
4. The Bureau has not addressed pending USAC audit appeals.

The details on the audit objectives, scope and methodology are provided in **Appendix A** of this report. The Bureau's Management Response is provided in **Appendix C**.

## **2 BACKGROUND**

The Federal Communications Commission (FCC or the Commission) is an independent Federal agency directly responsible to Congress. The FCC was established by the Communications Act of 1934, as amended, and is charged with the regulation of interstate and international communications by radio, television, wire, satellite, and cable. In 1996, Congress passed the Telecommunications Act of 1996 (1996 Act or the Act), making major amendments to the Communications Act of 1934. The 1996 Act was enacted to promote competition and reduce regulation in order to secure lower prices and higher quality services for American telecommunications consumers and encourage the rapid deployment of new telecommunications technologies.

The Wireline Competition Bureau (WCB) advises and makes recommendations to the Commission, or acts for the Commission under delegated authority, in all matters pertaining to the regulation and licensing of communications common carriers and ancillary operations (other than matters pertaining exclusively to the regulation and licensing of wireless telecommunications services and facilities). The WCB is aligned into six different offices and divisions: Office of the Bureau Chief (OBC); Administrative and Management Office; Competition Policy Division; Pricing Policy Division; Telecommunications Access Policy Division; and Industry Analysis & Technology Division. See **Appendix B** for a description of the Bureau's offices and divisions.

The WCB's mission and objectives include ensuring that all Americans are included in 21<sup>st</sup> century communications by reaching all of America with affordable broadband and voice services; ensuring access to affordable broadband connectivity for schools, libraries, and health care institutions; fostering competition, especially for small businesses; ensuring a sustainable framework for competitors who rely on the facilities of others; and ensuring that the public has access to accurate and comprehensive data about communications services, including data about broadband.

## **3 AUDIT RESULTS**

We conclude that WCB and its offices and divisions complied with applicable FCC directives, policies, and procedures and effectively accomplished its assigned mission. We also conclude that WCB complied with laws and regulations applicable to its operations, including substantial compliance with Circular A-123 *Management's Responsibility for Internal Control*. However, we noted some matters related to the effectiveness and efficiency of the WCB's performance. Specifically, we identified the following conditions:

1. The Bureau-specific risk assessments should be more comprehensive in order to mitigate the risks associated with Federal programs and operations.
2. WCB could benefit from documenting additional Bureau-specific internal control activities.
3. The Bureau needs to respond to Universal Service Administrative Company's (USAC) request for guidance.
4. The Bureau has not addressed pending USAC audit appeals.

**Finding No. 1 – Bureau-specific risk assessments should be more comprehensive in order to mitigate the risks associated with Federal programs and operations.**

**Condition:**

The WCB's operations support FCC's agency-wide Strategic Objectives and Performance Goals. As part of an internal control system designed to meet the FCC Strategic Objectives and Performance Goals, WCB conducted a risk assessment that assesses risks facing the Bureau as it seeks to achieve its objectives. However, a more comprehensive risk assessment would provide a stronger basis for developing appropriate risk responses. Specifically, we noted that the Bureau-specific risk assessment conducted by WCB did not fully document the following risk assessment principles stated in the U.S. Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government* (GAO-14-704G):

- Define objectives clearly to enable the identification of risks and define risk tolerance.
- Identify, analyze, and respond to risk related to achieving defined objectives.
- Identify, analyze, and respond to significant changes that could impact the internal control system.

**Criteria:**

The Office of Management and Budget (OMB) Circular A-123 *Management's Responsibility for Internal Control*, revised December 21, 2004, provides specific requirements for assessing and reporting on controls in the Federal government. The term internal control covers all aspects of an entity's objectives (operations, reporting, and compliance). OMB Circular A-123 states:

*“Managers should define the control environment (e.g., programs, operations, or financial reporting) and then perform risk assessments to identify the most significant areas within that environment in which to place or enhance internal control.”*

GAO *Standards for Internal Control in the Federal Government* (GAO-14-704G), issued by the General Accountability Office were revised in September 2014, provides the overall framework for establishing and maintaining an effective internal control system. The revision is effective beginning in fiscal year 2016 and adaptation is discretionary for management before then. GAO-14-704G, “Risk Assessment” section states:

*“Principles:*

- *Management should define objectives clearly to enable the identification of risks and define risk tolerances.*
- *Management should identify, analyze, and respond to risks related to achieving the defined objectives.*
- *Management should consider the potential for fraud when identifying, analyzing, and responding to risks.*
- *Management should identify, analyze, and respond to significant changes that could impact the internal control system.”*

**Cause:**

The WCB stated that they did not have the resources to document a more detailed formal risk assessment that follows the principles in GAO-14-704G as part of the Bureau-specific risk assessment process.

**Effect:**

Without a sufficiently detailed formal risk assessment, WCB managers may not be able to ensure an appropriate balance between the strength of controls and the relative risk associated with particular programs and operations.

**Recommendation 1:**

- 1.1 We recommend WCB management provide or assign the necessary resources to conduct and document a more comprehensive risk assessment that follows the principles in GAO-14-704G to manage the risk associated with Federal programs and operations. The risk assessment should clearly define Bureau-specific objectives to enable the identification of risks and define risk tolerances; identify, analyze and respond to risk related to achieving the defined objectives; and use Bureau-specific risk assessment and mechanisms to identify risk within the Bureau.

**Management's Response:**

WCB's management concurred with the report finding and recommendation. See **Appendix C** for management's response.

**Finding No. 2 – WCB could benefit from documenting additional Bureau-specific internal control activities.**

**Condition**

We conducted interviews with WCB senior management and staff to identify WCB's functions and evaluate internal control policies and procedures in place for rulemaking, notices, waivers, and tariffs. We reviewed WCB's orders, notices, responses to petition for waivers, and review of tariff filings, and we selected 36 samples for testing. See **Appendix A** for a description of the samples. For the samples selected, we examined the supporting documents, and evaluated the internal control procedures for initiating and completing the tasks, reviewing and approving the order, notice, response to petitions and review of tariffs. We verified that orders and notices were recorded in the Federal Register, as applicable.

We determined that WCB had internal controls in place, and they regularly evaluated the internal control activities. However, we noted that WCB did not formally document the internal control activities through written policies and procedures in accordance with GAO *Standards for Internal Control in the Federal Government* (GAO-14-704G). The Bureau should have well-defined documentation of the internal control activities that contain an audit trail, verifiable results, and specify document retention periods so that someone not connected with the procedures can understand the internal control process.

Specifically, the Bureau-specific internal control activities that were not formally documented include:

- Senior management's review of operational performance;
- Office and division managers' review of operational performance at the functional or activity level;
- Establishment and review of performance measures and indicators; and
- Documentation of internal control activities on the level of precision needed so that WCB meets its objectives and addresses related risk.

#### **Criteria:**

The GAO *Standards for Internal Control in the Federal Government* (GAO-14-704G), revised September 2014, issued by GAO, provides the overall framework for establishing and maintaining an effective internal control system. GAO-14-704G, "Control Activities" section states that:

#### *"Principles:*

- *Management should design control activities to achieve objectives and respond to risks.*
- *Management should design the entity's information system and related control activities to achieve objectives and respond to risks.*
- *Management should implement control activities through policies.*"

#### **Cause:**

The WCB utilizes FCC agency-wide technical guidance and other agency directives, policies and procedures as documentation of WCB's significant control activities. The technical guidance includes:

- *Strategic Goals and Objectives, FY 2014 Senior Executive Service (SES) Matrix for WCB;*
- *FCC Strategic Goals and Objectives, FY 2013 SES Matrix;*
- *Sample of Federal Register Documents*, updated April 7, 2014;
- *Office of Bureau and Office Guide to the Agenda Process - Meeting and Circulation Items*, dated December 2012;
- *Wireline Competition Bureau Internal Communications Process*, dated August 6, 2012;
- FCC Memorandum, *Ensuring that Commission Rules Become Effective*, dated June 4, 2012;

- *Federal Register Summary Drafting Information*, updated January 6, 2006;
- *Procedures for Releasing an Erratum Delegated Authority and Commission Level Items*, issued July 26, 2004;
- *Guidelines for Preparing Decision Documents: Format and Style*, updated May 24, 2004; and
- *Federal Register Checklist*, dated October 6, 2003.

We noted that the documents listed above provide technical direction for rulemaking, notices and waivers, but do not sufficiently document the Bureau-specific internal control activities.

**Effect:**

The effect of not formally documenting Bureau-specific internal control policies and procedures increases the risk that control deficiencies are not detected and addressed in a timely manner.

**Recommendation 2:**

2.1 We recommend WCB document Bureau-specific internal-control activities through written policies and procedures. The Bureau-specific internal control activities that should be documented include:

- Senior management's review of operational performance;
- Office and division managers' review of operational performance at the functional or activity level;
- Establishment and review of performance measures and indicators; and
- Documentation of internal control activities on the level of precision that ensures WCB meets its objectives and addresses related risk.

**Management's Response:**

WCB's management concurred with the report finding and recommendation. See **Appendix C** for management's response.

**Finding No. 3 – The Bureau needs to respond to USAC's request for guidance.**

**Condition:**

USAC conducts audits to ensure that the Universal Service Fund (USF) is used for its intended purpose; verify that all contributors make the appropriate contributions in accordance with the Commission's rules; and detect and deter potential waste, fraud, and abuse. WCB is USAC's primary point of contact regarding USF rulemaking proceedings, appeals of USAC decisions, requests for waivers of the Commission's USF rules, and petitions for USF declaratory rulings.

During our review of WCB's tracking schedule entitled "USAC Audits (Schools and Libraries) Guidance Requested as of June 30, 2014," we noted the USAC guidance request made in

October 2007 that relates to 50 open audits with a total outstanding balance of \$11,397,957. We determined that WCB has not responded to the USAC's request for guidance.

**Criteria:**

Title 47, Chapter I, Subchapter A, Part 0, Subpart B, Delegation of Authority, Section 0.291, states that:

*"(i) Authority concerning schools and libraries support mechanism audits. The Chief, Wireline Competition Bureau, shall have authority to address audit findings relating to the schools and libraries support mechanism."*

"Memorandum of Understanding Between the Federal Communications Commission and the Universal Service Administrative Company", dated September 9, 2008, states that:

*"The Wireline Competition Bureau (WCB) is the USF Administrator's primary point of contact regarding USF rulemaking proceedings, appeals of USAC decisions, requests for waivers of the Commission's USF rules, petitions for USF declaratory rulings, interactions with the Federal-State Joint Board on Universal Service, and preparation and publication of USF information in the Universal Service Monitoring Report."*

In the Matter of Schools and Libraries Universal Service Support Mechanism, CC Docket No. 02-6. Fifth Report and Order and Order adopted August 4, 2004: Para 32. "Administrative Limitations Period for Audits or Other Investigations by the Commission or USAC," states that:

*"We believe that some limitation on the timeframe for audits or other investigations is desirable in order to provide beneficiaries with certainty and closure in the E-rate applications and funding processes. For administrative efficiency, the time frame for such inquiry should match the record retention requirements and, similarly, should go into effect for Funding Year 2004. Accordingly, we announce our policy that we will initiate and complete any inquiries to determine whether or not statutory or rule violations exist within a five year period after final delivery of service for a specific funding year."*

**Cause:**

The Bureau stated that responding to the request for guidance requires the resolution of legal and policy concerns. The Bureau provided the following statement on the status of the open audits:

*"Our current intent is to recommend a series of orders that explain that the Commission expects USAC to complete its investigations and audits within five years of the services being delivered. But failure to do so is not a bar to recovery in cases where violations of FCC rules have been discovered. The next step in that process is for the WCB to send a draft order to the Commission on an Application for Review that raises the five-year issue. Once the Commission has a clear position, WCB will provide guidance to USAC, and the WCB expects them to resolve outstanding matters according to that guidance. WCB expects these issues to be resolved in 2015."*

**Effect:**

The likelihood of the funds being recovered for the open audits has decreased because USAC's requests have not been addressed in a timely manner. The USAC audits remain open, not because of the findings specific to these audits, but because USAC has asked for guidance.

**Recommendation 3:**

- 3.1 We recommend WCB address USAC's request for guidance by the planned resolution date of December 31, 2015.
- 3.2 If audit guidance is not provided to USAC by WCB's planned resolution date of December 31, 2015, we recommend WCB develop a written plan to address the request for guidance related to the five-year limitation issue. The plan should include milestones and projected completion dates.

**Management's Response:**

WCB's management concurred with the report finding and recommendations. See **Appendix C** for management's response.

**Finding No. 4 – The Bureau has not addressed pending USAC audit appeals.**

**Condition:**

Federal universal service program applicants and service providers file appeals with FCC for review of USAC decisions. WCB monitors and responds to these appeals as part of its operations. During our review of the WCB's schedule of pending appeals as of June 30, 2014, we noted the schedule contained 165 appeals filed during 2004 through 2014 with a total outstanding amount of \$11,862,656.10.

The Bureau explained that appeals are complicated and require an extensive amount of time to resolve. Therefore, we focused our testing on appeals open 2010 and earlier, which totaled \$9,934,624.45. We noted that the Bureau has not addressed the 41 pending USAC audit appeals filed in 2010.

**Table 1 Summary Schedule of WCB Pending Appeals as of June 30, 2014**

Date Appeal Filed with FCC	Number of Appeals	Total Outstanding Amount	Division
2014	11	[REDACTED]	[REDACTED]
2013	7	[REDACTED]	[REDACTED]
2013	1	[REDACTED]	[REDACTED]
2012	15	[REDACTED]	[REDACTED]
2011	89	[REDACTED]	[REDACTED]
2011	1	[REDACTED]	[REDACTED]
2010	1	[REDACTED]	[REDACTED]
2010	3	[REDACTED]	[REDACTED]
2009	17	[REDACTED]	[REDACTED]
2009	5	[REDACTED]	[REDACTED]
2008	7	[REDACTED]	[REDACTED]
2007	1	[REDACTED]	[REDACTED]
2005	1	[REDACTED]	[REDACTED]
2004	6	[REDACTED]	[REDACTED]
<b>Total</b>	<b>165</b>	<b>\$ 11,862,656.10</b>	

**Criteria:**

Title 47, Chapter I, Subchapter B, Part 54, Subpart I—Review of Decisions Issued by the Administrator:

§54.722 “Review by the Wireline Competition Bureau or the Commission” states that:

- (a) Requests for review of Administrator decisions that are submitted to the Federal Communications Commission shall be considered and acted upon by the Wireline Competition Bureau; provided, however, that requests for review that raise novel questions of fact, law or policy shall be considered by the full Commission.
- (b) An affected party may seek review of a decision issued under delegated authority by the Common Carrier Bureau pursuant to the rules set forth in part 1 of this chapter.

§54.724 “Time periods for Commission approval of Administrator decisions” states:

- (a) The Wireline Competition Bureau shall, within ninety (90) days, take action in response to a request for review of an Administrator decision that is properly before it. The Wireline Competition Bureau may extend the time period for taking action on a request for review of an Administrator decision for a period of up to ninety days. The Commission may also at any time, extend the time period for taking action of a request for review of an Administrator decision pending before the Wireline Competition Bureau.

(b) The Commission shall issue a written decision in response to a request for review of an Administrator decision that involves novel questions of fact, law, or policy within ninety (90) days. The Commission may extend the time period for taking action on the request for review of an Administrator decision. The Wireline Competition Bureau also may extend action on a request for review of an Administrator decision for a period of up to ninety days.

**Cause:**

The Bureau stated, “The issues raised in some of the audits are complex and will require substantial time and effort to resolve. These audits are still pending because the WCB has devoted its limited resources to other matters.”

The Bureau explained that with regard to certain specific Lifeline audit appeals, WCB indicated that several of the appeals deal with matters related to a special, one time, Lifeline program established in 2005 for victims of Hurricane Katrina. That program ended in 2006. Other appeals deal largely with matters related to a 2009 audit of duplicative support provided to a carrier’s subscribers living on Tribal lands.

**Effect:**

Since the Bureau has not addressed appeals, the issues raised in the appeals remain pending and increase the risk that USAC will not implement the recommendations from audits, investigations, and other reviews, in accordance with the guidance and requirements contained in Commission rules, orders, and other guidance.

**Recommendation 4:**

4.1 We recommend WCB develop and implement a plan that ensures the closure of pending appeals in a timely manner, and prioritizes the resolution of appeals filed 2010 and earlier.

**Management’s Response:**

WCB’s management concurred with the report finding and recommendation. See **Appendix C** for management’s response.

## **Appendix A – Audit Objectives, Scope and Methodology**

### **Objectives**

The objectives of WCB Performance Audit were to evaluate the effectiveness of WCB in accomplishing its assigned mission; to evaluate the economy and efficiency of WCB in accomplishing its assigned mission; and to evaluate the adequacy and effectiveness of WCB policies and procedures.

The reason for the audit was to assist the FCC OIG in performing its oversight functions and assist FCC management in its continuous efforts to improve the effectiveness and efficiency of the Commission.

### **Scope**

The WCB is located within FCC Headquarters in Washington, DC. The performance audit was conducted from April 2, 2014 through January 30, 2015. The scope of the audit was to evaluate WCB’s performance as of September 30, 2014. In conducting the audit, we performed the following procedures:

- identified the mission, duties, and responsibilities of the Bureau or office;
- determined the effectiveness of the organizational structure to accomplish the mission;
- evaluated the efficiency of the operation of the Bureau or office;
- assessed the adequacy and the effectiveness of the Bureau or office’s policies and procedures; and
- determined the Bureau’s or office’s compliance with applicable laws and regulations as well as directives, policies, and procedures related to the assigned mission.

The sources of evidence used in the performance audit included WCB’s mission statement’ policies and procedures; interviews with WCB’s key management and staff; and various documents prepared by WCB.

### **Methodology**

Our methodology for the performance audit consisted of four stages: planning; evaluating the design of internal controls; testing and documenting operational effectiveness; and reporting.

#### **Stage I – Performance Audit Planning**

Performance audit planning includes developing audit procedures for the key business processes identified. At a high level, these procedures include the following:

- Identifying the approach for assessing design and operational effectiveness of key business processes identified in the risk assessment;
- Conducting a risk assessment;
- Preparing performance audit programs for key business processes, including test plans;

- Confirming existence and availability of documentation;
- Developing a timeline for performing the underlying procedures for each of the key business processes; and
- Identifying resources required to perform procedures, including WCB key personnel, supporting documents and related policies and procedures.

### Stage II – Evaluate Design of Internal Controls

Evaluate the design of WCB strategy and governance as it relates to process, technology, and people. At a high level, these procedures include the following:

- Identifying WCB’s key business processes;
- Assessing WCB controls, which includes the control awareness, management philosophy, operating style, employee values, and general “tone at the top” of the entity;
- Assessed, at a high level, whether WCB’s organizational structure is sufficient and ties to its organizational strategy and operations;
- Assessing, at a high level, whether sufficient policies and procedures used to guide daily operations have been documented and communicated to staff;
- Assessing, at a high level, whether staff are appropriately trained and held accountable for following WCB policies and procedures;
- Assessing, at a high level, whether WCB has staff with the necessary knowledge, skills, and abilities to execute the organization’s responsibilities;
- Assessing the design of processes for identifying, escalating, and mitigating organizational risks;
- Ascertaining whether policies, procedures, and key controls have been incorporated into daily operations;
- Ascertaining whether IT systems processes and related components are sufficient to address the risks in support of WCB operations, accounting and reporting;
- Identifying and reviewing key reports and analytics for completeness, accuracy, and relevancy; and
- Identifying deficiencies in design and developing recommendations for improvement.

### Stage III – Test Operational Effectiveness

Testing of operational effectiveness includes evaluating whether key policies, procedures, controls, and processes are operating with sufficient effectiveness to provide reasonable assurance that WCB’s objectives are being met. These procedures include the following:

- Testing operating effectiveness for a defined period of time;
- Documenting tests of the operating effectiveness of key processes, evidence obtained, results of tests, and conclusions within working papers.
- Identifying deficiencies in operating effectiveness, highlighting critical issues and common themes across WCB offices;

- Assessing the effect of process deficiencies on other key process activities and business processes; and
- Developing recommendations for enhancing the effectiveness of policies, procedures, and processes.

***Stage IV – Prepare and Issue Audit Report***

Reporting includes communicating the performance audit results to FCC OIG, and WCB management. During the audit, we issued four Notifications of Findings and Recommendations to WCB management and obtained management's responses. During the reporting phase, we issued the draft report to management and obtained management's response to the report findings and recommendations, and then issued the final report.

**Description of samples selected in Finding No. 2**

We reviewed WCB's Orders, Notices, responses to petition for waivers, and review of tariff filings, and we selected 36 samples for testing based on the following information.

**Table 2 Description of Samples Selected**

Audit Areas	Population Size	Number of samples selected
<b>Orders:</b> Final Report and Order issued during FY 2013 and 2014 from WCB or WCB offices and divisions	9	2
<b>Notices:</b> NOI, NPRM, FNPRM issued during FY 2013 and 2014 from WCB or WCB offices and divisions	19	5
<b>Waivers:</b> TAPD Petitions for Waiver Associated with Decisions of the Universal Service Administrative Company	835	9
<b>Tariffs:</b> Tariff filings received during FY 2014 and 2013	981	20
<b>Total</b>		<b>36</b>

**Legend:** NOI - Notice of Inquiry; NPRM - Notice of Proposed Rulemaking; FNPRM - Further Notice of Proposed Rulemaking.

## **Appendix B – WCB Offices and Divisions**

The WCB is responsible for, among other things, developing and recommending policy goals, objectives, programs and plans for the Commission in rulemaking and adjudicatory matters concerning wireline telecommunications, drawing on relevant economic, technological, legislative, regulatory and judicial information and developments. Overall objectives include meeting the present and future wireline telecommunications needs of the Nation; fostering economic growth; ensuring choice, opportunity, and fairness in the development of wireline telecommunications; promoting economically efficient investment in wireline telecommunications infrastructure; promoting the development and widespread availability of wireline telecommunications services; and developing deregulatory initiatives where appropriate.

The WCB is aligned into six different offices and divisions: The Office of the Bureau Chief, Administrative and Management Office, Competition Policy Division, Pricing Policy Division, Telecommunications Access Policy Division and Industry Analysis & Technology Division. The primary missions of each of the WCB divisions are as follows:

**Competition Policy Division**—The Competition Policy Division’s primary mission is to foster competition in the provision of communications services through market-opening rulemaking and other proceedings that affect wireline telecommunications service providers and consumers. The division is responsible for implementation of non-pricing aspects of the local competition requirements of the Telecommunications Act of 1996, including interconnection, network element unbundling, and privacy. The division also administers the U.S. numbering policy (including local number portability) and reviews applications from wireline carriers for mergers and other transfers of control, and discontinuance of service.

**The Industry Analysis and Technology Division**—The Industry Analysis and Technology Division’s staff members conduct economic, financial, and statistical analyses of the wireline telecommunications industry to support the work of the Commission. The division collects and manages various data on the industry, including:

- Local Telephone Competition and Broadband (FCC Form 477) data;
- Study area boundary data;
- Urban rate survey data;
- Automated Reporting Management Information System (ARMIS) data;
- Telephone Numbering Resource Utilization/Forecast (NRUF) data; and
- Telecommunications Provider Revenue (FCC Form 499) data

The division also oversees the Part 68 regulatory requirements, other than those specifically related to hearing aid compatibility issues.

**Pricing Policy Division**—The Pricing Policy Division is responsible for administering the provisions of the Act requiring that the charges, practices, classifications, and regulations of common carriers providing interstate and foreign services are just and reasonable. The division develops competitive pricing policies and rules for the retail and wholesale interstate rates charged by price-cap carriers and rate-of-return carriers; the intercarrier compensation rates that carriers charge each other; and the rates for resale of local exchange services, unbundled network elements and interconnection that incumbent carriers charge competitive carriers. The division also ensures compliance with Commission pricing rules and conducts formal or informal investigations of carrier charges, practices, classifications and regulations, and recommends appropriate action. The division also develops rules and policies relating to the Uniform System of Accounts, affiliate transactions, regulated/non-regulated cost allocations, and depreciation rates.

**Telecommunications Access Policy Division**—The Telecommunications Access Policy Division's primary mission is to advance the goals of universal service—that all Americans have access to robust, affordable broadband and voice services. The division is responsible for developing policies for administration and oversight of the Federal Universal Service Fund, which is comprised of programs designed to ensure access to affordable communications for schools, libraries, health care providers, and rural and low-income consumers. This division also develops policies for administration and oversight of the contribution system, which is the system by which the Commission's Federal universal service programs are funded. In coordination with the WCB's Pricing Policy Division, the division also issues and recommends interpretations of the FCC's Jurisdictional Separations procedures.

## Appendix C- WCB Management's Response



Federal Communications Commission  
Washington, D.C. 20554  
Wireline Competition Bureau

MEMORANDUM

**DATE:** July 27, 2015  
**TO:** David L. Hunt, Inspector General  
**FROM:** Matthew S. DelNero, Chief, Wireline Competition Bureau  
**SUBJECT:** Management Comments for Audit of the Wireline Competition Bureau (Audit Number13-AUD-12-29)

Thank you for the opportunity to review the Office of Inspector General's (OIG) draft audit report concerning the Federal Communications Commission (FCC) Wireline Competition Bureau (WCB or Bureau). As the report notes, the Bureau is effective in accomplishing its mission, but we welcome the opportunity to evaluate how we can further improve in our efforts.

WCB is in the process of developing a revised risk analysis that will follow the framework and principles set out in the Government Accountability Office (GAO) 2014 Green Book<sup>1</sup>, adopted in September of last year during the progress of the audit. The risk assessment will more thoroughly define the Bureau's objectives and identify and analyze risk, including assessment of their significance to the Bureau in achieving its objectives. The risk assessment will also include responses to the identified risks to place them within the risk tolerance for the associated objectives.

The Bureau is also working to document its internal control activities more extensively. We note that the GAO 2014 Green Book provides that “[t]he extent of documentation needed to support the design, implementation, and operating effectiveness of the five components of internal control is a matter of judgement for management.” As noted in the report, the Bureau has developed and/or maintains a number of documents detailing processes associated with accomplishing the Bureau’s mission. Consistent with OIG’s recommendation, however, the Bureau is working to supplement its existing written processes with a unified process guide that will bring together written internal-control processes in a single document, which will be updated regularly.

We believe that, upon completion, these steps will be fully responsive to Recommendations 1 and 2 in the report.

With regard to the USAC audits that remain open pending guidance on the five-year rule, WCB continues to work with the Commission’s Office of General Counsel and Office of Managing Director to work through the substantive and procedural issues that will bring this matter to a close. Consistent with the report’s third recommendation, if the stakeholders are unable to complete this process prior to December 31, 2015, WCB will prepare a written plan for providing the necessary guidance as possible thereafter.

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<sup>1</sup> Government Accountability Office Report No. 14-704G, *Standards for Internal Control in the Federal Government* (September 2014).

Finally, we are evaluating the best approach to resolving the pending audit appeals covered by the report's recommendation given available resources. Once we have determined an appropriate plan, we will move forward to resolve these appeals, consistent with the recommendation in the fourth finding.

Thank you again for the opportunity to comment on this draft report. We believe that the measures we have underway will bring the issues raised in each of the report's findings to a successful conclusion.

Sincerely,



Matthew S. DelNero  
Chief  
Wireline Competition  
Bureau

cc: Mark Stephens, Chief Financial Officer

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