



OFFICE OF INSPECTOR GENERAL

Memorandum

DATE: June 3, 2019

TO: Chairman Ajit Pai
Commissioner Geoffrey Starks
Commissioner Michael O'Rielly
Commissioner Brendan Carr
Commissioner Jessica Rosenworcel

FROM: Inspector General

for RM

SUBJECT: Audit of Federal Communications Commission Compliance with the Improper Payments Elimination and Recovery Improvement Act Reporting for Fiscal Year 2018

The Federal Communications Commission (FCC) Office of Inspector General (OIG) submits the attached audit report on the FCC's compliance with improper payment reporting requirements, in accordance with Office of Management and Budget (OMB) Memorandum M-18-20, Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement*.

The OIG contracted with Lani Eko & Company, CPAs, PLLC (LEC) to audit the FCC's compliance with the Improper Payments Elimination and Recovery Improvement Act (IPERIA) for FY 2018. The audit was performed in accordance with generally accepted government auditing standards. In the attached report, dated June 3, 2019, LEC reported that the FCC was noncompliant with IPERIA criteria defined in OMB Memorandum M-18-20 for two of its programs, the Universal Service Fund – Lifeline (USF-LL) and Universal Service Fund – High Cost (USF-HC) programs.

The audit found the USF-LL program was noncompliant with IPERIA because the program's improper payment rate exceeded the OMB threshold for reporting improper payments. Further, LEC reported that FCC did not identify and assess fraud risk and report the true root causes for improper payments in the program. The audit also found the USF-HC program was noncompliant with IPERIA because the methodology used to estimate USF-HC improper payments did not adequately reflect the significant risks of improper payments in the program. As a result, LEC was not able to conclude on the accuracy of certain USF-HC program improper payment data and information reported in the FCC's FY 2018 Annual Financial Report. Additionally, the audit found that the FCC did not report all improper payments and recoveries identified through sources outside of Universal Service Administrative Company's (USAC) payment recapture audits.

FCC and USAC management provided responses to the attached audit report, in which they partially concurred with three findings and did not concur with one. OMD and USAC partially concurred with the two audit findings on the USF-LL program and the audit finding on the accuracy of payment integrity reporting. FCC and USAC management did not concur with the

finding on the methodology used to estimate improper payments in the USF-HC program. The final report includes OMD's response along with excerpts from USAC's management response to each audit finding.

LEC is wholly responsible for the attached audit report and the conclusions expressed therein. The OIG monitored LEC's performance throughout the audit and reviewed LEC's audit report and related audit documentation. Our review did not disclose any instances where LEC did not comply in all material respects with generally accepted government auditing standards.

Questions regarding this report may be directed to Robert McGriff, Assistant Inspector General for Audit, at (202) 418-0483 or robert.mcgriff@fcc.gov; or Sophie Jones, Deputy Assistant Inspector General for Audit, at (202) 418-1655 or sophila.jones@fcc.gov.

Attachment

cc: Managing Director
Chief of Staff
Acting Chief Financial Officer