



UNITED STATES GOVERNMENT
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF INSPECTOR GENERAL

MEMORANDUM

DATE: May 17, 2019

TO: Managing Director

FROM: Inspector General

SUBJECT: Federal Communications Commission's Fiscal Year 2019 DATA Act Recommendations Follow up Review (19-OASP-02-01)

The Office of Inspector General (OIG) completed a follow-up review to assess corrective actions taken by the Federal Communications Commission (FCC, or Commission) to address four of the Recommendations in OIG Report No. 17-AUD-08-04, *Implementation of the Digital Accountability and Transparency Act of 2014 (DATA Act) Performance Audit*, issued November 7, 2017. Our review was performed to determine whether the Commission implemented audit report Recommendation numbers 3, 4, 5 and 6, as reported to the OIG in FCC management's requests for closure dated September 26, 2018.

Background

The DATA Act requires Federal agencies to report financial and spending information to the public through USAspending.gov in accordance with Government-wide financial data standards developed and issued by the Office of Management and Budget (OMB) and the Department of the Treasury (Treasury).

The OIG engaged Kearney & Company, P.C. (Kearney) to conduct a performance audit of the FCC's second quarter (Q2) fiscal year (FY) 2017 spending data submitted under the DATA Act. The objectives of the performance audit were to review a statistically valid sample of the FCC's Q2 FY 2017 spending data, to assess the accuracy, completeness, timeliness, and quality of the sampled data, and to assess the FCC's implementation and use of the Government-wide data standards, as required by the DATA Act.

Kearney found although the FCC submitted its Q2 FY 2017 data in advance of the Government-wide reporting deadline, the FCC's submission was incomplete. Specifically, the FCC did not submit transaction-level spending data for two of its major components: the Universal Service Fund (USF) and the Telecommunications Relay Service (TRS) fund. Further, Kearney found that FCC's spending data contained inaccuracies and did not meet the quality requirements outlined by OMB in its April 2010 memorandum, *Open Government Directive – Federal Spending Transparency*.

To improve the FCC's implementation of the DATA Act Kearney made six recommendations to the FCC Senior Accountable Official. FCC management submitted documentation to the OIG requesting closure of four of the recommendations and stated corrective actions for the other two are ongoing. The four recommendations being considered for closure are excerpted from the report as follows:

Recommendation number 3. Develop and implement a checklist of required documents (e.g., solicitation, contractor bids, award/base contract, contract modification(s), statement of work, etc.) that the FCC Contracting Officers (COs) must maintain in contract files. COs should include the completed checklist in each contract file, and appropriate personnel should perform periodic quality control reviews to ensure the COs consistently maintain the documentation.

Recommendation number 4. Perform an analysis of the cost effectiveness and technical feasibility of locating all documents identified in the checklist referenced in Recommendation number 3 for previously awarded, active contracts. If the analysis determines it is cost effective and technically feasible, locate the files and create and retain readily available digital copies.

Recommendation number 5. Develop and implement procedures and establish a central repository to ensure that, going forward (i.e., all newly awarded contracts), the FCC retains digital, signed copies of all documents identified in the checklist referenced in Recommendation number 3 for its official contract files. Consider the related functionality within the FCC's accounting system, Genesis. As applicable, include the digital files created in Recommendation number 4.

Recommendation number 6. Develop and implement procedures to validate the accuracy of the data reported to Federal Procurement Data System–Next Generation (FPDS-NG) in order to meet the full DATA Act reporting requirements. This should include data validation procedures to ensure the accuracy of the data input to FPDS – NG, as well as FCC systems (i.e., Genesis) that interface with FPDS – NG. Additionally, this should include corrective action or quality control procedures for inaccurate information reflected in FPDS – NG resulting from the interfaces with FCC systems.

Scope and Methodology

We performed this follow-up review consistent with our authority under the Inspector General Act of 1978, as amended, including, but not limited to sections 2(1) and 4(a)(1). We limited the project scope to a follow-up review, performed November 2018 through March 2019, to determine whether FCC management has implemented each of the four audit report recommendations included in their closure requests submitted to OIG on September 26, 2018. To accomplish our objective, we held meetings with the Enterprise

Acquisition Center (EAC) and reviewed supporting documentation to verify the status of management's corrective actions for each audit recommendation. We reviewed the support provided along with FCC's Audit Recommendation Control Sheets and made inquiries and observations to determine whether the FCC had completed corrective actions for Recommendation numbers 3, 4, 5, and 6, reported in OIG Audit Report No. 17-AUD-08-04.

To follow-up on the closure requests for Recommendation numbers 3, 4, and 5, we requested a spreadsheet listing all active contracts as of January 1, 2018. We received a spreadsheet from EAC listing 412 active contract documents. We selected a random sample of 11 of those 412 contracts for further review. We held an observation meeting with EAC staff to review the digital information maintained for each of the 11 sample contract files.

We did not test internal controls or perform fieldwork to determine whether the underlying deficiencies during the FY 2017 DATA Act audit had been corrected. Therefore, this review was not conducted in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States, or Quality Standards for Inspection and Evaluation issued by the Council of the Inspectors General on Integrity and Efficiency.

Results

The Office of Managing Director (OMD) submitted four Audit Recommendation Control Sheets to the OIG in support of their request to close the four recommendations. We reviewed the support for each submission and concluded we were unable to obtain sufficient evidence to close any of the four recommendations.

Recommendation number 3

Develop and implement a checklist of required documents (e.g., solicitation, contractor bids, award/base contract, contract modification(s), statement of work, etc.) that the FCC COs must maintain in contract files. COs should include the completed checklist in each contract file, and appropriate personnel should perform periodic quality control reviews to ensure the COs consistently maintain the documentation. [Condition 1, New for FY 2017]

OIG Review Results

In support of closing this recommendation, OMD provided a memo (dated September 19, 2018) from the FCC's Acting Senior Procurement Executive informing the EAC COs of their responsibility to maintain and update the Contract File Checklist during the contracting process. The memo states the Contract File Checklist must be current with (in agreement with) the contract process at the end of each day and must be completed by close of business on the day the contract is awarded. There are five types of Contract File

Checklists, and it is the COs responsibility to ensure they are using the correct Contract File Checklist, as well as the appropriate version.

OIG was not able to verify whether COs were using any of the five checklists at the time of our review. The checklists were not included in any of the contract files we reviewed during our observation meeting with EAC on March 20, 2019. Additionally, EAC searched contracts awarded between September 18, 2018 and February 8, 2019, and found that only 1 of the 29 contract files reviewed (3%) included a completed checklist. However, EAC did not provide OIG a copy of the completed checklist along with the results of their search.

We determined that corrective action for Recommendation number 3 was not complete.

Recommendation number 4

Perform an analysis of the cost effectiveness and technical feasibility of locating all documents identified in the checklist referenced in Recommendation number 3 for previously awarded, active contracts. If the analysis determines it is cost effective and technically feasible, locate the files and create and retain readily available digital copies.

Recommendation number 5

Develop and implement procedures and establish a central repository to ensure that, going forward (i.e., all newly awarded contracts), the FCC retains digital, signed copies of all documents identified in the checklist referenced in Recommendation number 3 for its official contract files. Consider the related functionality within the FCC's accounting system, Genesis. As applicable, include the digital files created in Recommendation number 4.

OIG Review Results

To support its request for closing Recommendation numbers 4 and 5, OMD submitted a memo dated October 16, 2017 from the Acting Senior Procurement Executive to EAC stating the COs are solely responsible for ensuring all signed documents shall be stored on a network drive in the appropriate contract file along with all other contract documents, such as the statement of work, completed checklist, and contract modifications, etc.

We found inconsistencies in how the COs were storing the contract documentation. Not all of the COs were storing the contract documentation in the file folder designated by EAC officials as the appropriate folder. The results of our observation meeting disclosed only 1 of the 11 contracts in our sample was stored in the appropriate contract file location and

included the other documents pertaining to the contract. For the remaining 10 contracts, we found the following:

- 5 contracts were stored in the appropriate location, but were missing the other documents pertaining to the contract.
- 3 contracts were not stored in the appropriate location and were missing the other documents pertaining to the contract.
- 2 contracts could not be located during the observation.

Based on our review of our sample of contract files, we determined that corrective actions for Recommendation numbers 4 and 5 were not complete.

Recommendation number 6

Develop and implement procedures to validate the accuracy of the data reported to FPDS – NG in order to meet the full DATA Act reporting requirements. This should include data validation procedures to ensure the accuracy of the data input to FPDS – NG, as well as FCC systems (i.e., Genesis) that interface with FPDS – NG. Additionally, this should include corrective action or quality control procedures for inaccurate information reflected in FPDS – NG resulting from the interfaces with FCC systems.

OIG Review Results

To support its request for closing Recommendation 6, OMD provided a memo dated September 19, 2018 from the Acting Senior Procurement Executive to the EAC COs regarding FPDS Data Validation Policy. The policy directs the Head of Contracting Activity to review the results of the Genesis¹ 'FPDS-NG Comparison Report' at the end of each month and give specific instructions for the FCC's Head of Contracting Activity and COs regarding assigning, correcting, and resolving data inconsistencies.

The OIG reviewed the information provided with the Audit Recommendation Control sheet, including the FPDS-NG Comparison Report. The FPDS-NG Comparison Report dated February 13, 2019 showed that Momentum (Genesis) data did not match the FPDS-NG data. Also, EAC query results showed multiple incomplete tasks that were one to two months old. The Acting Senior Procurement Executive memo directs the COs to correct the assigned data inconsistencies found in the 'FPDS-NG Comparison Report' within three (3) business days of receipt of the assignment of the data inconsistencies found in the 'FPDS-NG Comparison Report'.

¹ The FCC's financial management system, Genesis, is a Momentum based product that serves as the financial accounting system of record and provides for the core accounting services to the FCC.

EAC has developed policies and procedures to improve the validity and accuracy of the data reported to FPDS-NG, but the OIG was unable to verify that the procedures had been fully implemented.

We determined that corrective action for Recommendation number 6 was not complete.

Conclusion

The FCC has made progress towards implementing the recommendations from OIG Report No. 17-AUD-08-04. However, management's completed actions do not satisfy the full intent of the recommendations and do not support closing any of the four recommendations submitted by management.

The OIG will contract for a full scope DATA Act audit in FY 2019. That audit will include procedures to further assess whether the FY 2017 audit recommendations have been implemented.