



UNITED STATES GOVERNMENT  
FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF INSPECTOR GENERAL

## MEMORANDUM

**DATE:** June 28, 2022

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

**FROM:** Inspector General *For RM*

**SUBJECT:** Final Report on Audit of the Fiscal Year 2021 Federal Communications  
Commission Compliance with the Payment Integrity Information Act of 2019  
(Project No. 22-AUD-01-01)

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

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

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

In the attached audit report, dated June 28, 2022, Kearney noted two of the 10 FCC programs, the Universal Service Fund (USF) Lifeline (LL) program and the USF High Cost (HC) program,

were not compliant with at least one PIIA criteria. The USF-LL program did not comply with PIIA criteria 2, 8, and 10, respectively:

- Post the annual financial statement and accompanying materials on the agency website
- Demonstrate improvements to payment integrity or reached a tolerable IP and Unknown Payments (UP) rate
- Report an IP and UP estimate of less than 10% for each program for which an estimate was published

The USF-HC program did not comply with PIIA criteria 4 which requires that agencies adequately conclude whether each program is likely to make IPs and UPs above or below the statutory threshold because the auditors identified weaknesses with the program's risk assessments.

Kearney also noted that five of the 10 FCC programs had deficiencies regarding risk assessments and efforts to reduce estimated IP and UP payment rates that did not constitute non-compliance with PIIA but are reported as recommendations for improvement.

- FCC Operating Expenses
- Coronavirus Disease 2019 (COVID-19) Telehealth program
- TV Broadcaster Relocation Fund (TVBRF)
- Telecommunications Relay Service (TRS) Fund
- USF Schools and Libraries (S&L) program

Overall, Kearney's audit report includes six findings along with 17 recommendations. FCC concurs with four of the six reported findings. Management partially agreed with the finding related to the USF- LL program and they did not agree with the finding and recommendations related to the risk assessment for the USF-HC program.

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

Questions regarding this report may be directed to Sophie Jones, Deputy Assistant Inspector General for Audit, at (202) 210-0976 or [sophila.jones@fcc.gov](mailto:sophila.jones@fcc.gov); or Robert McGriff, Assistant Inspector General for Audit, at (202) 418-0483 or [robert.mcgriff@fcc.gov](mailto:robert.mcgriff@fcc.gov).

Attachment

cc: Managing Director  
Chief of Staff  
Chief Financial Officer