

FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554  <b>FCC DIRECTIVE</b>	<b>Title</b>	
	Audit, Evaluation, Inspection, and Investigation Follow up	
	<b>Directive Number:</b>	<b>Effective Date:</b>
	FCCINST 1013.4	June 2020

1. Purpose and Applicability. This directive establishes audit follow up policies and procedures. These policies and procedures are established pursuant to Office of Management and Budget (“OMB”) Circular A-50, “Audit Follow up,” dated September 29, 1982, and the Inspector General Act of 1978, as amended, and are designed to enhance the benefits that accrue to the Commission from audits assessments, investigations, inspections, or evaluations of the FCC’s operations, programs, systems, functions, activities and controls. These follow-up policies and procedures apply to reports, findings, and recommendations issued by, or under the sponsorship of, the Office of Inspector General (“OIG”), the U.S. Government Accountability Office (“GAO”), or other Federal agencies with oversight authority over the FCC, whenever follow up is necessary.
2. Cancellation. This directive supersedes FCCINST 1013.3 dated October 2014.
3. Definitions.
  - a. Draft Audit Report. An audit report that has been released to the auditee and that has been submitted to management for comment. For purposes of this guidance, the term audit report encompasses audits, assessments, investigations, inspections, or evaluations conducted by the OIG and its contractors, GAO, or other Federal agencies with oversight authority over the FCC.
  - b. Final Audit Report. An audit report that has been made available to the public or otherwise determined to be final by the auditor. For purposes of this guidance, the term audit report encompasses audits, assessments, investigations, inspections, or evaluations conducted by the OIG, GAO, or other Federal agencies with oversight authority over the FCC.
  - c. Responses to Audit Reports. Written comments by the appropriate Bureau or Office Chief(s) indicating agreement or disagreement on recommendations in draft or final audit reports. Comments indicating agreement shall include planned corrective actions to the extent possible within the time frame for responding, and, where appropriate, dates for achieving actions. Comments indicating disagreement shall fully explain the reasons for disagreement. Efforts to resolve potential non-concurrences with GAO, OIG, or other Federal agencies concerning audit recommendations shall first be made at the lowest possible management level before escalating.
  - d. Fund Administrator. The administrator of the Universal Service Fund (“USF”) or the Telecommunications Relay Service (“TRS”) fund.
  - e. Audit Follow Up Official. The Managing Director or the Managing Director’s designee shall serve as the Audit Follow Up Official.
  - f. Resolution.
    - (1) The point at which the OIG and the appropriate Bureau or Office Chief(s) agree on action to be taken on an audit report’s findings and recommendations, or, if no agreement can be reached, the point at which the matter is determined to be resolved by the Audit Follow Up Official. An audit report may be considered resolved despite the right of persons outside the

Commission to negotiate, appeal, or litigate. Resolution of a report with respect to parties outside the Government does not preclude further consideration of issues in the report by Commission management.

- (2) For pre-award contract audits, the point at which agreement is reached, a contract price negotiated, or a proposed award canceled, whichever occurs first.
- (3) For GAO reports with recommendations to the Chairman, the point at which the GAO and the appropriate Bureau or Office Chief(s) agree on action to be taken on an audit report's findings and recommendations, or, if no agreement can be reached, the point at which the matter is determined to be resolved by the Audit Follow Up Official. The resolution process with GAO will be informed by the Chairman's written statement on the recommendations submitted to Congressional committees within 180 days of the issuance of the GAO report, as required by 31 U.S.C. § 720.

- g. Corrective Action. Measures taken to implement resolved audit findings and recommendations.
- h. Corrective Action Plan (CAP). A written plan prepared by management to describe specific steps and target dates for implementing corrective action.
- i. Disallowed Costs. Incurred costs that have been questioned by the audit organization and that the contracting officer or other appropriate Commission official has agreed should not be charged.

#### 4. Policies.

- a. Audit follow up is an integral part of good management and is a shared responsibility of Commission management officials and auditors. Corrective action on resolved audit findings and recommendations is essential to improving the effectiveness and efficiency of government operations.
- b. Management has an obligation to address audit results. Management will make every reasonable effort to respond to OIG Draft Audit Reports. If management is unable to respond to an OIG Draft Audit Report timely, (e.g., due to time constraints or to the need for further investigation of report findings), management must respond to the Final Audit Report.
- c. Written responses to Draft Audit Reports will be due within 30 days of the issuance of the Draft Audit Report. Management may, upon request, obtain a reasonable extension of the due date for good cause shown if the OIG concurs. Consistent with GAO standards for audits, auditors should provide management an opportunity to respond to the Draft Audit Report. See Government Auditing Standards (GAO-18-568G, Obtaining the Views of Responsible Officials, Section 9.50-9.53). The response may be written or oral, but written comments are preferred.
- d. Except as otherwise indicated herein, written responses to audit recommendations will be prepared by the Bureau or Office chief(s) responsible for the audited activity and will be transmitted to the Inspector General, the GAO, or other Federal agencies performing oversight of the FCC via the Audit Follow Up Official. The Bureau or Office responsible for any activity audited by the OIG will prepare a CAP within 30 days of the issuance of the Final Audit Report and transmit the CAP to the Audit Follow Up Official, who will transmit the CAP to the OIG. For GAO reports with recommendations to the FCC, the Bureau or Office responsible for the audited activity should prepare a CAP within 30 days of the issuance of the Final Audit Report and transmit the CAP to the Audit Follow Up Official. The Chairman is required to prepare a written statement that is

submitted to Congressional committees on the action taken or planned by the FCC on each recommendation from GAO. The Chairman's written statement is due to Congress within 180 days of the issuance of each GAO report with recommendations to the FCC, as required by 31 U.S.C. § 720. For Fund Administrator related audits, the following policies apply:

- (1) For audits of USF beneficiaries or contributors, TRS providers, and the USF and TRS fund administrators, the actual Fund Administrator shall respond to Draft Audit Reports to the FCC's Office of Managing Director ("OMD"). OMD will review the Fund Administrator's response and shall independently assess whether it agrees with the factual findings in response to the Draft Audit Report, as well as the recommendations (see paragraph 6, *infra*). In addition, the Fund Administrator shall start to implement any recommendations that OMD agrees with, *e.g.*, recovery of funds, within 30 days of issuance of the Final Audit Report.
  - (2) OMD will, as appropriate, ensure that the Fund Administrator seeks recovery of funds as recommended in Final Audit Reports if the Fund Administrator has agreed that the facts are correct.
  - (3) The Wireline Competition Bureau ("WCB") will handle all appeals filed by USF beneficiaries or contributors of any contested audit recommendations (*e.g.*, an audit recommendation to recover funds). The Consumer and Governmental Affairs Bureau ("CGB") will handle all appeals related to the TRS fund.
- e. When applicable, the resolution process begins once the OIG receives a Bureau's or Office's response to a Draft Audit Report or upon issuance of the Final Audit Report if management does not respond to the Draft Audit Report. The OIG and the affected Bureau(s) or Office(s) will make every effort to reach resolution on audit recommendations prior to issuance of the Final Audit Report. If written responses to Draft Audit Reports are not provided prior to issuance of the final audit report, those responses and resolution must be completed within six months from the date the Final Audit Report is issued or, under special mitigating circumstances, within a reasonable period of time thereafter. As mentioned above, whenever corrective action is contemplated, a CAP will need to be provided to the Audit Follow Up Official as part of the recommendation resolution process if one has not been provided already at this point in the process.
  - f. The OIG will provide a copy of the Final Audit Report to the affected Bureau(s) or Office(s) and the Audit Follow Up Official. If resolution has not already begun or was not reached prior to issuance of a final report, it shall commence immediately and shall be completed within six months from the date the final report is issued., or, under special mitigating circumstances, within a reasonable period thereafter. Resolution shall include a proposed CAP where appropriate.
  - g. Responsible officials must keep the Audit Follow Up Official, or his or her designee, notified of the progress made in meeting each planned date contained in a CAP for either OIG or GAO reports. Additionally, responsible officials must provide documentary support to the Audit Follow Up Official, or his or her designee, upon completion of corrective action. The Audit Follow Up Official will transmit the audit resolution information to either the OIG or GAO as appropriate and will track whether OIG or GAO concurs that a recommendation is closed or needs additional information, etc.
  - h. Records will be maintained of the status of audit reports or recommendations throughout the entire process of resolution and corrective action.
  - i. Claims attributable to audit disallowances will be brought under accounting and collection controls.

- j. Resolution of findings and recommendations must be consistent with laws/regulations/policies, where applicable.
- k. Semi-annual reports concerning the status of audit reports with disallowed costs, audit reports with recommendations that funds be put to better use, and audit reports with management decisions where final action is still incomplete after one year will be developed by the Audit Follow Up Official and furnished by the Chairman to the Congress in accordance with the requirements of the Inspector General Act.
- l. Performance appraisals of appropriate officials will reflect their effectiveness in resolving findings and recommendations and implementing necessary corrective actions.

5. Responsibilities.

- a. Bureau/Office Chiefs. Chiefs of the Bureaus/Offices are responsible for:
  - (1) Reviewing and carefully considering audit reports, or parts thereof, concerning their respective organizations, activities, functions, and programs.
  - (2) Preparing or endorsing responses to audit reports and ensuring their timely submission to the OIG or the GAO via the Audit Follow Up Official.
  - (3) Informing the Audit Follow Up Official, or his or her designee, of significant disagreements with the OIG or the GAO which prevent resolution and completion of final action on audit recommendations.
  - (4) Promptly preparing and implementing written Corrective Action Plans, as appropriate.
  - (5) Directing and monitoring the implementation of promised corrective actions to increase assurance that they are implemented and within applicable specified time limits.
  - (6) Maintaining records of the status of corrective action being planned or taken to close audit recommendations, for which the Bureau or Office is responsible, throughout the resolution and corrective action processes and furnishing documentary support to the Audit Follow Up Official upon completion of corrective action. For audits of USF beneficiaries and contributors and TRS providers, the Chief Financial Officer will be the party responsible for record maintenance under this subparagraph.
  - (7) Furnishing information required by the Audit Follow Up Official for the semi-annual report to the Chairman and the Congress.
- b. Audit Follow Up Official. The Managing Director or the Managing Director's designee shall serve as the Audit Follow Up Official. The Audit Follow Up Official has responsibility for ensuring that:
  - (1) Systems of audit follow up, resolution, and corrective action are documented and in place.
  - (2) Timely responses are made to all audit reports.
  - (3) Disagreements are resolved.
  - (4) Corrective actions are actually taken.
  - (5) Semi-annual reports are sent to the Chairman, as provided for in paragraph 11a (1) below.
  - (6) The USF Administrator and TRS Fund Administrator follow up on audit reports, including those pertaining to USF beneficiaries and contributors and TRS providers.

- (7) The USF Administrator and TRS Fund Administrator initiate timely recovery actions against appropriate parties in instances where audits recommend recovery of funds.
- c. Associate Managing Director – Financial Operations (AMD-FO) (also known as “Chief Financial Officer” or “CFO”). Under the Chairman’s operational guidance, the AMD-FO administers the internal audit function. In this capacity, he or she is responsible for:
- (1) Ensuring that the OIG or the GAO obtain timely responses to their audit recommendations.
  - (2) Reviewing on behalf of the Audit Follow Up Official responses to audit report recommendations prior to submission to the OIG to ensure that the responses conform to the guidelines set forth in paragraph 6 of this directive (note that responses to GAO recommendations are approved by the responsible Bureau or Office Chief and the Office of the Chairman (OCH)).
  - (3) Ensuring that the audited entity develops CAPs within 30 days of the issuance of the Final Audit Report for any recommendations in an OIG or GAO audit report for which corrective action is contemplated.
  - (4) Tracking the status of agency responses to OIG and GAO audit recommendations, and keeping the Audit Follow Up Official informed of the status.
  - (5) Tracking the status of the USF Administrator’s responses to audit reports of USF beneficiaries and contributors and tracking the status of the TRS Fund Administrator’s responses to audit reports of TRS providers.
  - (6) Proposing to the Audit Follow Up Official solutions to significant disagreements between the OIG and audit report respondents which may develop (1) prior to the issuance of an OIG Final Audit Report and result in a non-concurrence from the audit respondents to a finding or recommendation or (2) after issuance of an OIG Final Audit Report and prevent resolution and completion of final action on audit recommendations.
  - (7) Performing follow up reviews to evaluate the status of the implementation of corrective actions on audit recommendations and communicating with OIG or GAO the necessary information to demonstrate FCC implementation of corrective actions so as to obtain OIG and GAO concurrence on the closure of an audit recommendation for tracking and reporting purposes.
  - (8) Maintain written policies and procedures on the routine steps that the staff of the FCC’s Bureaus and Offices are expected to perform when their work area or organizational unit is the subject of an audit, assessment, investigation, inspection, or evaluation conducted by the OIG or GAO. These written policies and procedures should be provided to the staff of the FCC’s Bureaus and Offices at the commencement of the audit, assessment, investigation, inspection, or evaluation conducted by OIG or GAO and should include every phase of the engagement including field work, responses to findings, audit follow up and recommendation closure as well as sample documents for the FCC’s Bureaus and Offices review for the different audit phases.
  - (9) Prepare the annual report pursuant to the Good Accounting Obligation in Government Act (GAO-IG Act), P.L. 115-414, that the FCC is required to provide to Congress as part of its budget justification that describes the Commission’s actions on outstanding public GAO and OIG recommendations, which have remained unimplemented for one year or more as of the date on which the annual budget justification is submitted.
  - (10) In conjunction with the Audit Follow Up Official, coordinate the preparation, coordination, and clearance of the semi-annual management report to Congress on Inspector General audits that

is further described in paragraph 11a (1).

6. Responses to OIG Draft and Final Audit Reports.

a. General.

(1) OIG Draft Audit Reports submitted to management for comment will state the date that a response is desired. Management should provide timely comments to OIG Draft Audit Reports. If necessary, management may request an extension of the due date from the OIG. If the OIG and management are unable to agree on an extension, the OIG may issue the Final Audit Report without a management response. If a Final Audit Report is issued without a management response, the Audit Follow Up Official will ensure that management submits a CAP for any recommendations in the Final Audit Report for which corrective action is contemplated and that resolution is completed within six months of issuance of the Final Audit Report. Corrective action will proceed as quickly as possible.

(2) In certain instances, management may undertake or plan to undertake studies of activities audited that will extend beyond the due date of the Bureau's or Office's responses. When this occurs, comments will not be delayed but will state the action initiated or planned.

b. Contents.

(1) Comments on audit reports will be factual, responsive, and directed to any recommendations. For each recommendation, management should state specifically whether the responding official agrees, partially agrees, or does not agree.

(2) For each time the respondent agrees with an audit recommendation, the respondent should explain the specific action that will be taken, initiated, or planned when appropriate. For example, if the action involves the issuance of new or revised procedures, copies of such procedures or pertinent extracts should be provided. If further action is required, a target completion date should be furnished. When the action is completed, the responding official shall promptly advise the AMD-FO in appropriate detail so the AMD-FO may communicate the implemented corrective action to the OIG.

(3) Each partial agreement or disagreement will be fully explained.

(4) If a report sets forth questioned costs which the contracting officer or other appropriate Commission official agrees should not be charged, the response should provide the amounts of payment demanded, the amounts recovered by collection and/or offset, or, in case of a decision not to seek recovery, the basis for the decision.

7. Responses to OIG Investigations.

a. General

(1) When an OIG investigation results in a recommendation for management, OIG shall transmit the recommendation to management and the Audit Follow Up Official immediately upon completion of the investigation. The Bureau or Office responsible for the activity that was the subject of the investigation shall prepare a CAP within 30 days of the completion of the recommendation and provide it to the Audit Follow Up Official. When corrective action is completed for recommendations from investigations, the Bureau or Office shall provide documentary evidence to the Audit Follow Up Official to support closure of the recommendation.

The Audit Follow up Official shall transmit that information to the OIG and will track whether the OIG concurs that a recommendation is closed or needs additional information, etc.

(2) The Audit Follow Up Official shall track the status of all open recommendations from investigations. The Audit Follow Up Official will track the proposed completion dates for corrective action in each CAP to monitor the progress of the proposed corrective action and ensure timely closure of recommendations from investigations.

8. Supplemental Provisions for GAO Reports. The following additional provisions apply to the processing of GAO audit reports.

a. Coordinating Responsibilities. The AMD-FO has been delegated responsibility in support of the OCH and the Managing Director for coordinating comments on draft GAO reports or responses to final GAO audit reports with recommendations to the Chairman. In this capacity, the AMD-FO will:

(1) Distribute GAO audit reports to organizational elements that are affected by or are likely to be interested in such reports.

(2) Designate the action office with primary responsibility for preparing a reply to a report.

(3) Establish due dates regarding the submission of involved organizational elements' written comments to the action office, where applicable, and the action office's preparation of the reply.

b. Draft Reports. Normally, GAO will furnish the Commission a Draft Audit Report setting forth findings and recommendations which have been developed during its examination and which may have been discussed during an exit conference. The draft is furnished to permit the Commission to express its written views on any part of the report as a basis for GAO revision, clarification, or citation respecting the Final Audit Report. Replies to draft reports will be prepared and processed in accordance with the following procedures:

(1) General. Commission policy is to respond to any GAO draft report received by the date requested by the GAO or by an extended due date authorized by the GAO. Pursuant to 31 U.S.C. § 718(b), the statutory period for providing comments on draft GAO reports is generally no more than 30 days. The designated action office should complete the reply by the due date established by the AMD-FO. If an extension of time is needed, the action office should notify the AMD-FO as soon as it knows an extension will be necessary. In turn, the AMD-FO will request an extension of time from GAO and will, in consonance with the additional time authorized by GAO, promptly establish revised due dates for submission of comments by organizational elements and the action office's reply, and appropriately communicate such dates.

(2) Preparation of Reply. The lead Bureau or Office responsible for responding to GAO throughout the audit will take the lead on drafting the reply and ensure that GAO's timeline for delivery is met. The lead Bureau or Office shall ensure that the reply is responsive, clear, and consistent with Commission policies, regulations, and procedures. When the report involves multiple Bureaus or Offices, each organizational element affected by the report will submit to the lead Bureau or Office their written comments in a timely manner for use in preparation of a coordinated reply. Furthermore, the lead Bureau or Office should coordinate with the Office of General Counsel and Office of Legislative Affairs to obtain their review (as necessary). Finally, the lead Bureau or Office will ensure that OCH has an opportunity to review the reply before it is finalized for signature. If the reply is in the form of a letter, the lead Bureau or Office will prepare

the letter for the signature of the Chief of their Bureau or Office. Following final approval and signature (as necessary), the lead Bureau or Office will transmit the reply to the AMD-FO, who will ensure timely delivery to GAO.

c. Final Reports. Responses to final reports will be prepared and processed, giving due consideration to the general criteria contained in paragraph 6b above and the specific requirements and instructions set forth in paragraph 8d below.

d. Statements on Final Reports.

(1) Statement to Congressional Committees. In accordance with 31 U.S.C. § 720(b), when the Comptroller General makes a report that includes a recommendation to the head of an agency, the head of the agency shall submit a written statement on action taken or planned on the recommendation by the head of the agency. The statement shall be submitted to—

(a) the Committee on Homeland Security and Governmental Affairs of the Senate, the Committee on Oversight and Government Reform of the House of Representatives, the congressional committees with jurisdiction over the agency program or activity that is the subject of the recommendation, and the GAO before the 181<sup>st</sup> day after the date of the report; and

(b) the Committees on Appropriations of both Houses of Congress in the first request for appropriations submitted more than 180 days after the date of the report.

(2) Statements to OMB and GAO.

(a) OMB Circular A-50, Revised, September 29, 1982, requires that OMB and GAO each be furnished two copies of the statements provided the Congressional committees in accordance with 31 U.S.C. § 720(b). These copies should be submitted at the time of submission of the statements to the Congressional committees.

(3) Preparation of Replies.

(a) Statements or replies to Congress on final GAO reports should identify the applicable GAO report by number and date (*e.g.*, GAO-14-236, dated February 26, 2014).

(b) The same lead Bureau or Office that developed the original response to the draft report should develop a proposed coordinated reply for the 180 day letter to the House and Senate Committees referenced in 31 U.S.C. § 720(b) using procedures similar to those set forth in paragraphs 8b above, except that the reply will be prepared for signature by the Chairman.

9. Applicability to Pre-award Contract Audits. In general, audit reports involving recommendations on contractor estimates of future costs are subject to the provisions of this directive. Because such reports are usually resolved by negotiation of a contract price, they are not subject to either the 6-month resolution or the semi-annual reporting provisions cited elsewhere in this directive. Also, insofar as the previously and subsequently referenced requirement for maintaining records of the status of audit reports or recommendations through the entire process of resolution and corrective action is concerned, it will be met relative to pre-award contract audits by the maintenance of appropriate records as part of the official procurement files.

10. Accounting and Collection Controls. The Chief Financial Officer, will establish and maintain collection and accounting controls over amounts due the Government as a result of disallowed costs, and will ensure that:

- a. Amounts due the Government as a result of audit disallowances are promptly recorded as accounts receivable upon completion of the acts entitling the Commission to collect them. Within 30 days of a determination by the contracting officer or other appropriate Commission official that incurred costs questioned by audit are unallowable, the amounts of the disallowances will be recorded as accounts receivable.
- b. Prompt and appropriate action is taken to collect amounts of audit disallowances due the Government. Amounts of audit disallowances (only disallowed costs, not relevant interest charges, if applicable) recovered, whether by collection or offset, will be credited to the appropriations charged with pertinent incurred costs and applied as decreases to respective previously established accounts receivable.

11. Records Maintenance and Semi-Annual Reports.

- a. Bureau/Offices. Bureaus/Offices responsible for implementing open recommendations will maintain records showing the status of corrective action being planned or taken to close audit recommendations, for which the Bureau or Office is responsible, throughout the entire process of resolution and corrective action. In addition, if the recommendation relates to an information technology system, the Bureaus/Offices should coordinate with the FCC's Chief Information Officer (CIO) to ensure that all corrective action is properly documented for audit follow up purposes. These records should be used to furnish the Audit Follow Up Official and AMD-FO with documentary support for corrective action taken in response to each OIG or GAO recommendation, and to provide the information required for the semi-annual report described in subparagraph 1 below.

(1) Audit Follow Up Official. The Audit Follow Up Official will furnish the Chairman semi-annual reports with certain information concerning audit reports with disallowed costs, audit reports with recommendations that funds be put to better use, and audit reports with management decisions where final action is still incomplete after one year (as specified in the Inspector General Act, as amended, 5 USC, Appendix, Section 5). The Audit Follow Up Official will ensure that the USF Administrator follows up on USF-related audit reports, including audit reports of USF beneficiaries and contributors. For audits of USF beneficiaries and contributors, the Chief Financial Officer will coordinate with the USF administrator to obtain the necessary information for this section. In addition, the Audit Follow Up Official will ensure that the TRS Fund Administrator follows up on TRS Fund-related audit reports, including audit reports of TRS providers. For audits of TRS providers, the Chief Financial Officer will coordinate with the TRS administrator to obtain the necessary information for this section.

(2) Reports will be prepared as of every March 31st and September 30th and will be submitted to the Chairman by the 30th workday following the end of the semi-annual reporting period.

12. Effective Date and Implementation. This Directive is effective immediately and shall be implemented promptly upon distribution.

A handwritten signature in blue ink, appearing to read "Mark Stephens", written over a light blue horizontal line.

Mark Stephens  
Managing Director