



Federal Communications Commission Office of Inspector General

Fiscal Year 2021 Payment Integrity Information Act of 2019 Performance Audit

22-AUD-01-01

June 28, 2022

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FINAL REPORT

June 28, 2022

Office of Inspector General
Federal Communications Commission
45 L Street NE
Washington, D.C. 20554

Dear Office of Inspector General (OIG):

Kearney & Company, P.C. (Kearney) has performed an audit of the Federal Communications Commission FY 2021 compliance with the Payment Integrity Information Act (PIIA) of 2019. This performance audit, conducted under Contract No. GS00F031DA, was designed to meet the objectives identified in the *Executive Summary* section of this report.

Kearney conducted this performance audit from November 2021 through June 2022 in accordance with the Generally Accepted Government Auditing Standards (GAGAS), 2018 Revision, issued by the Government Accountability Office (GAO). Those standards require Kearney to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Kearney believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives. The purpose of this report is to communicate the results of Kearney's performance audit and our related findings and recommendations.

Kearney appreciates the cooperation provided by the Federal Communications Commission's (FCC) personnel during the audit.

Sincerely,



Kearney & Company, P.C.
Alexandria, VA
June 28, 2022

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EXECUTIVE SUMMARY

As requested by the Office of Inspector General (OIG), Kearney & Company, P.C. (defined as “Kearney,” “we,” and “our” in this report) audited the Federal Communications Commission’s (FCC) Payment Integrity Information Act (PIIA) of 2019. Kearney conducted this performance audit in accordance with the Generally Accepted Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States.

The objective of our performance audit was to evaluate the FCC’s compliance with PIIA, in accordance with the Office of Management and Budget (OMB) Memorandum M-21-19, Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement*. OMB M-21-19 outlines the 10 PIIA criteria that agencies must follow. Specifically, we reviewed the FCC’s risk assessment methodology, Improper Payment (IP) rate estimates, Sampling and Estimation Methodology Plans (S&EMP), Corrective Action Plans (CAP), and efforts to prevent and reduce IPs. In addition, Kearney followed the Council of the Inspectors General on Integrity and Efficiency (CIGIE), *Guidance for Payment Integrity Information Act Compliance Reviews*. The guidance was developed to assist Officers of Inspector General (OIG) that are required to conduct an annual improper payment review under the PIIA.

Our audit determined that the FCC was non-compliant with three of the 10 PIIA criteria. *Exhibit 1* below shows each of the FCC’s 10 programs for which PIIA compliance was required. In addition, the program’s compliance with each of the 10 PIIA criteria is noted.

Exhibit 1: PIIA Compliance Reporting Table

Item No.	Criteria	USF-High Cost	USF-Schools and Libraries	USF-Lifeline	USF-Rural Health Care	USF-Administrative Costs	Telecommunications Relay Service	North American Numbering Plan	FCC Operating Expenses	TV Broadcaster Relocation Fund	COVID-19 Telehealth
1	Published Payment Integrity Information with the Annual Financial Statement	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2	Posted the Annual Financial Statement and Accompanying Materials on the Agency Website	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3	Conducted Improper Payment (IP) Risk Assessment for Each Program with Annual Outlays Greater Than \$10 Million	Yes	N/A2	N/A2	N/A2	N/A3	N/A3	N/A3	N/A3	N/A3	N/A3
4	Adequately Concluded Whether Each Program is Likely to Make IPs and Unknown Payments (UP) Above or Below the Statutory Threshold	No - 1	N/A2	N/A2	N/A2	N/A3	N/A3	N/A3	N/A3	N/A3	N/A3

5	Published IP and UP Estimates for Each Program Susceptible to Significant IPs and UPs	N/A1	Yes	Yes	Yes	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1
6	Published Corrective Action Plans (CAP) for Each Program for Which an Estimate Above the Statutory Threshold was Published	N/A1	Yes	Yes	Yes	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1
7	Published an IP and UP Reduction Target for Each Program for Which an Estimate Above the Statutory Threshold was Published	N/A1	Yes	Yes	Yes	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1
8	Demonstrated Improvements to Payment Integrity or Reached a Tolerable IP and UP Rate	N/A1	Yes	No	Yes	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1
9	Developed a Plan to Meet the IP and UP Reduction Target	N/A1	Yes	Yes	Yes	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1
10	Reported an IP and UP Estimate of Less Than 10% for Each Program	N/A1	Yes	No	Yes	N/A1	N/A1	N/A1	N/A1	N/A1	N/A1

	for Which an Estimate was Published										
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N/A1 – The agency program is in Phase 1 and, therefore, per OMB guidance was not at risk of significant IPs and UPs.

N/A2 – The agency program is in Phase 2 because it was above the statutory threshold and, therefore, per OMB guidance was not required to conduct a risk assessment.

N/A3 – The agency program was not required to conduct a risk assessment this year and, therefore, per CIGIE guidance, this step is not applicable.

- 1- The auditors identified conditions with the risk assessment for the High Cost Program that, because of prior audit findings and FCC seeking and receiving OMB approval for a risk assessment, were significant to the payment integrity information reported in the FCC’s financial statements or accompanying material and; therefore, constitute non-compliance with PIIA.
- 2- The auditors identified recommendations for improvement related to the risk assessments for several programs but because they were not significant to the payment integrity information reported in the FCC’s financial statements or accompanying material it did not constitute non-compliance with PIIA, as noted in Findings 3 and 4.

Our audit found that two of 10 FCC programs, the Universal Service Fund (USF)-Lifeline (LL) program and the USF-High Cost (HC) program, were non-compliant with at least one PIIA criteria. We issued six findings that included 17 recommendations.

Specifically, we found that the following constituted non-compliance with PIIA:

- The USF-LL programs' Fiscal Year (FY) 2021 estimated gross IP (13.72%) and UP (2.14%) rates were a combined 15.87%, exceeding the OMB threshold of 10%. The FCC and the Universal Service Administrative Company (USAC) did not achieve its FY 2021 reduction target of 13.7%, nor were the IP and UP estimates reduced for FY 2021. Additionally, we could not assess the reduction target plan for the USF-LL program for appropriateness because USAC did not determine if tolerable IP and UP rate bands should be established. USAC provided their corrective action plans (CAPs) to reduce the IP and UP rates but did not demonstrate progress towards improvements to payment integrity.
- USAC's HC program risk assessments did not adequately conclude whether the programs are likely to make IPs and UPs above the statutory threshold. Specifically, USAC did not fully consider the programmatic risk for the Modernized Fund or Legacy Fund, either by identifying the different risk factors evaluated, or indicating the scoring or risk factor weighting methodology, to accurately assess the likelihood of IPs and UPs occurring. The Office of Management and Budget (OMB) granted FCC a waiver that allowed USAC to forego conducting a statistically valid estimate of the IPs and UPs made under the HC program. Instead, USAC performed a risk assessment to determine the root cause of IPs and identify which component of the HC program is more susceptible to IPs and UPs. The conditions identified with the HC program's risk assessment were significant to the accuracy of reporting of payment integrity information in the FCC's agency financial statements. Therefore, they constitute non-compliance with PIIA.
- The FCC did not correctly report an improper payment for the USF-LL program. The FY 2019 Improper Payment Elimination and Recovery Improvement Act of 2012 (IPERIA) report identified a \$205 million overpayment. FCC reported a combined \$175 million of the \$205 million overpayment during the FY 2019 IPERIA and 2020 PIIA reporting periods. For \$30 million of the \$205 million overpayment, the FCC reported a significantly smaller overpayment during the FY 2021 PIIA reporting period. The audit team was informed by the FCC management that a potential settlement between the FCC and an ETC will reduce the IP from \$30 million to an amount that would not be significant to the payment integrity information reported by FCC. However, the settlement has not been formally enacted by issuing a Forfeiture Order or Consent Decree and therefore cannot be deemed as binding. Therefore, FCC's exclusion of the \$30 million from their reported payment integrity information constitutes non-compliance with PIIA.

We noted the following conditions regarding FCC's risk assessments and efforts to reduce its estimated IP and UP rates. In our opinion, these matters were not significant to the payment integrity information reported in FCC's financial statements or accompanying materials. Therefore, these conditions did not constitute non-compliance with PIIA but are reported as recommendations for improvement:

- The FCC's current risk assessment process for the FCC operating expenses, Coronavirus Disease 2019 (COVID-19) Telehealth program, and TV Broadcaster Relocation Fund (TVBRF) does not adequately conclude whether the FCC programs are likely to make IPs and UPs above the statutory threshold. Specifically, the FCC risk assessments do not use the ERM framework, as specified in OMB Circular A-123. Moreover, the FCC has not developed a methodology that identifies and evaluates the potential payment integrity risk faced by the agency. In addition, during the FY 2021 risk assessment process, the FCC's Operating Expense and COVID-19 Telehealth programs risk assessments were combined and; therefore, lacked specific details of the different risks that affect each program.
- The FCC's risk assessment process for the Telecommunications Relay Service (TRS) Fund does not adequately conclude whether the program is likely to make IPs and UPs above or below the statutory threshold. Specifically, the risk assessment does not adequately focus on the FCC rules that are susceptible to a significant risk of IPs, such as certification of eligible users, certification of TRS providers, and National Deaf Blind Equipment Distribution Program (NDBEDP) reimbursements for eligible individuals and authorized services. Further, the FCC, TRS Fund Administrator, and TRS providers have not addressed the responsibilities of each party to manage the risks of IPs and describe methodologies used to obtain assurance that each party manages its risks of IPs appropriately and as intended.
- The FCC reported an estimated IP and UP rate and amount above the statutory threshold of 1.5% of the program's total annual outlays and \$10 million. Specifically, the S&L program reported an IP rate estimate of 2.97 % and an IP amount of \$62.1 million. While the S&L program reduced the IP and UP estimate from 4.46% and \$88.4 million in FY 2020 and met the FY 2021 reduction target rate of 4.40%, the corrective actions implemented did not reduce the IP and UP estimates below the statutory thresholds.

Please see *APPENDIX A* of this report for the scope and methodology of the audit.

BACKGROUND

FCC Background and Mission

The FCC is charged with regulating interstate and international communications by radio, television, wire, satellite, and cable. The FCC also regulates telecommunications and advanced communication services and video programming for people with disabilities. The Communications Act of 1934 (Act), created the FCC, centralized authority granted by law to

several agencies and granted additional authority with respect to interstate and foreign commerce in wire and radio communication. The FCC was charged with executing and enforcing the provisions of the Act. The FCC's jurisdiction covers the 50 states, the District of Columbia, and United States possessions. The purpose of the Act was to "[regulate] interstate and foreign commerce in communication by wire and radio so as to make available... to all the people of the United States without discrimination... a rapid, efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges." Additionally, the Act's purpose was to support the effective execution of policies related to national defense and the safety of life and property through the use of wire and radio communication. The responsibilities granted to the FCC by this Act include, but are not limited to, collecting regulatory fees, assessing fines, and conducting auctions.

In 1996, Congress passed the Telecommunications Act of 1996 (Telecommunication Act), a major legislation amending, repealing, or adding new legislation to the Act. The Telecommunications Act was enacted to promote competition and reduce regulation to secure lower prices and higher-quality services for American telecommunications consumers and encourage the rapid deployment of new telecommunications technologies. The USF was created by the Telecommunications Act as the mechanism by which interstate long-distance carriers were assessed fees to subsidize telephone service to low-income households and High-Cost areas (i.e., rural areas where infrastructure is more costly). The rules and regulations governing contributions to the USF were established pursuant to Section 254 of the Act, as amended by the Telecommunications Act. USAC administers the four USF programs and the Connected Care Pilot Program (CCPP) under the Commission's direction. The USF includes four programs: HC, S&L, also known as E-Rate, LL, and Rural Health Care (RHC). These four programs and the CCPP are funded through mandatory contributions from U.S. telecommunications service providers, including local and long-distance phone companies, wireless and paging companies, payphone providers, and providers of interconnected Voice over Internet Protocol (VoIP) services. For financial statement reporting purposes, the USF also includes the TRS Fund, which was established by the Americans with Disabilities Act of 1990, Title IV.

Title IV of the Americans with Disabilities Act of 1990 established TRS Fund. TRS compensates TRS providers for reasonable costs of providing interstate telephone transmission services that enable a person with a hearing or speech disability to communicate with a person without hearing or speech disabilities. The costs of providing interstate TRS are recovered from subscribers of interstate telecommunications services.

Enactment of Payment Integrity Information Act of 2019

On March 2, 2020, PIIA became law. PIIA (Public Law [PL] 116-117) was enacted to improve efforts to identify and reduce Government-wide improper payments. Agencies are required to identify and review all programs and activities they administer that may be susceptible to significant improper payments based on guidance, provided by OMB. Payment integrity information is published with the agency's annual financial statement in accordance with payment integrity guidance in OMB Circular A-136, Appendix C. The agency must also publish any applicable payment integrity information required in the accompanying materials to the

annual financial statement in accordance with applicable guidance. The most common accompanying materials to the annual financial statement are the payment integrity information published on Paymentaccuracy.gov (<https://paymentaccuracy.gov/>).

FCC Programs

Agencies are required under PIIA guidance to assess programs that are over a year old and have reported gross outlays greater than \$10 million. The following 10 FCC programs met the outlay and age thresholds requiring a PIIA compliance assessment to be performed in FY 2021:

- USF-HC: The HC program is the largest of the four USF programs. The HC program provides funding to telecom carriers to provide service in rural areas where the market alone cannot support the substantial cost of deploying network infrastructure and providing connectivity. The program was modernized into the Connect America Fund to support broadband to ensure that all people in America have access to affordable connectivity¹.
- USF-S&L: The S&L universal service support program, commonly known as the E-rate program, helps schools and libraries to obtain affordable broadband. The E-rate program is administered by USAC under the direction of the FCC. Specifically, USAC is responsible for processing the applications for support, confirming eligibility, and reimbursing service providers and eligible schools and libraries for the discounted services².
- USF-LL: The LL program is responsible for data collection and maintenance, support calculation, and disbursement for the low-income program. Since 1985, the LL program has provided a discount on phone service for qualifying low-income consumers to ensure all Americans have the opportunities and security that phone service brings, including being able to connect to jobs, family, and emergency services. The LL program is available to eligible low-income consumers in every state, territory, commonwealth, and on Tribal lands³.
- USF-RHC: The RHC Program provides funding to eligible health care providers for telecommunications and broadband services necessary for the provision of health care. The goal of the program is to improve the quality of health care available to patients in rural communities by ensuring that eligible health care providers have access to telecommunications and broadband services⁴.
- USF-Administrative Costs: USAC, established in 1997, is an independent, not-for-profit corporation that administers the four (HC, LL, RHC, S&L) universal service support

¹ <https://www.usac.org/high-cost/program-overview/>

² <https://www.fcc.gov/general/e-rate-schools-libraries-usf-program>

³ <https://www.fcc.gov/general/lifeline-program-low-income-consumers>

⁴ <https://www.fcc.gov/general/rural-health-care-program>

mechanisms of the USF. Under the direction of the Commission, USAC is responsible for the billing and collection of USF monies and for disbursing funds for the USF programs. The administrative costs program oversees the compensation, benefits, and other operating expenses required to carry out USAC's responsibilities for administering the USF programs.

- TRS: FCC component administered by Rolka Loube, LLC (RL). The TRS Fund compensates TRS providers for the reasonable costs of providing interstate telephone transmission services that enable a person with a hearing or speech disability to communicate with a person without hearing or speech disabilities. The costs of providing interstate TRS are recovered from subscribers of interstate telecommunications services⁵.
- North American Numbering Plan (NANP): The FCC component, as administered by Welch LLP, is responsible for conducting a basic numbering scheme permitting interoperable telecommunications services with the U.S., Canada, Bermuda, and most of the Caribbean⁶.
- FCC Operating Expenses: FCC program that is responsible for conducting payroll and nonpayroll operating activities, including auction refunds, COVID-19 Telehealth Program, the new Emergency Broadband Benefit Program (EBBP), and the new Emergency Connectivity Fund (ECF).
- TVBRF: The TVBRF was formed as a result of the Spectrum Act of 2012 (Spectrum Act). The Act authorized the FCC to conduct incentive auctions aimed at repacking the spectrum. TV Broadcasters and Multichannel Video Programming Distributors (MVPD) who were relocated to different spectrum bands were eligible to receive reimbursement of their relocation costs. With the passage of the Spectrum Act and later passage of the 2018 Reimbursement Expansion Act, TV broadcasters, Low Power Television Stations, television translators and FM stations, MVPDs could access \$2.5 billion to relocate to different spectrum bands⁷.
- COVID-19 Telehealth Program: FCC program that was established to fulfill its responsibilities under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to provide support efforts of health care providers to address coronavirus by providing telecommunications services, information services, and devices necessary to enable the provision of telehealth services during the pendency of the COVID-19 pandemic⁸.

⁵ <https://www.fcc.gov/telecommunications-relay-service-trs-general-management-and-oversight>

⁶ <https://www.fcc.gov/north-american-numbering-plan-general-management-and-oversight>

⁷ <https://www.fcc.gov/about-fcc/fcc-initiatives/incentive-auctions/reimbursement>

⁸ <https://www.usac.org/about/covid-19-telehealth-program/>

AUDIT RESULTS

We conducted this performance audit in accordance with GAGAS. 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 findings and conclusions based on our audit objectives.

Finding 1: Universal Service Fund – Lifeline Gross Improper Payment and Unknown Payment Rates Not Compliant with PIIA Requirements

Conditions: The FCC is non-compliant with PIIA (PL 116-117, Sections 2e and 2f) because the estimated gross IP rate for the USF-LL program exceeded OMB’s 10% threshold. Specifically, the estimated gross IP and UP rate was a combined 15.87% and \$136 million for FY 2021. Moreover, the FCC and USAC have not demonstrated progress towards improvements to payment integrity. FCC and USAC’s reduction target of 13.72% for FY 2021 was not achieved nor was the IP and UP estimate reduced for FY 2021. In addition, the reduction target plan for the USF-LL program could not be assessed for appropriateness because FCC and USAC did not determine if tolerable IP and UP rate bands should be established in FY 2021.

Causes: The FCC’s Lifeline program controls and procedures did not reduce program IPs and UPs below the statutory threshold. Specifically, the most recent risk assessment noted that vulnerabilities existed because Eligible Telecommunication Carriers (ETC) did not follow the Lifeline non-usage rules, which require program de-enrollment after 45 consecutive days of subscriber non-use. In addition, FCC and USAC were unable to accurately track the extent to which non-usage affected IPs and UPs because 1) usage information is not tracked by USAC systems; and 2) ETCS are not required to submit usage information to USAC, except when Payment Quality Assurance (PQA) assessments, Beneficiary and Contributor Audit Program (BCAP) audits, and other types of performance audits are performed on USAC programs.

Further, program controls and procedures have not been developed to mitigate risk caused by the enrollment of ineligible subscribers from states that opt-out of the National Lifeline Accountability Database (NLAD) system. The FCC rules permit some states to manage consumer enrollment outside of the NLAD and National Verifier (NV) systems. The most recent USF-LL risk assessment determined there was a low likelihood of improper payments for opt-out states, but the assessment also noted that, due to a lack of testing on eligibility, the full impact was unknown at the time of the risk assessment. The subsequent PQA program testing conducted by USAC showed that the FCC and USAC had not adequately considered this risk because the NLAD opt-out states accounted for 13.28% of the combined IP and UP rate of 15.87%.

Senior Management has not determined the level at which additional expenditures to implement controls aimed at reducing IPs would outweigh the benefits received from preventing IPs or recovering IPs. Specifically, the FCC and USAC have not developed a methodology, such as establishing a tolerable rate, to assess whether implementing controls to mitigate inherent

program risks are within the capabilities of FCC and USAC to manage or if the implementation would be cost positive.

Moreover, the FCC and USAC did not have policies or procedures to establish a tolerable rate or actions to reach or maintain a tolerable rate. Thus, the FCC and USAC were unable to assess whether the reduction target plan was sufficient to meet the reduction target or aggressive and realistic for the program risks.

Criteria: OMB M-21-19 Appendix C, Section VI A 2b, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, dated March 5, 2021, states: “To achieve compliance the agency must ensure that the IP risk assessment methodology used adequately concludes whether the program is likely to make IPs plus UPs above or below the statutory threshold.”

OMB M-21-19 Appendix C, Section IV-A-5C, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, dated March 5, 2021, states:

“If the program reported an IP and UP estimate above the statutory threshold in the CY and established an IP and UP reduction target for the following FY, the program is responsible for developing a plan to meet the reduction target established. The program should maintain and update the plan to meet the IP and UP reduction target as needed to ensure that the program will be able to demonstrate improvements in payment integrity that occurred over the course of the FY.”

OMB M-21-19 Appendix C, Section IV F, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, dated March 5, 2021, states:

“In the context of Enterprise Risk Management and the management of payment integrity risk, agency senior management should identify their Risk Appetite for Payment Integrity risk in relation to accomplishing strategic objectives and while considering reputational risks that can impact trust in the agency... Agency senior management should balance payment integrity risk with controls to identify, achieve, and maintain a tolerable IP and UP rate for a program”

OMB M-21-19 Appendix C, Section IV G, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, dated March 5, 2021, states:

“For compliance purposes, programs reporting an IP and UP estimate that is above the statutory threshold are only required to establish and publish an IP and UP reduction target for the following year. However, if the IP and UP reduction target is greater than the tolerable IP and UP rate, and a program needs multiple years to achieve their tolerable IP and UP rate, programs should establish a plan(s) for achieving both rates.”

OMB M-21-19 Appendix C, Section VI 5b, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, dated March 5, 2021, states: “Examples of improvements [IP and UP rate] could include...determining the tolerable IP and UP rate (examples could include...conducting a cost benefit analysis to help determine the usefulness of increasing preventative measures).”

PIIA, PL 116-117 §3351’s Definitions Section 2f, *Compliance*, states: “The term ‘compliance’ means that an executive agency...has reported an IP rate of less than 10 percent for each program and activity for which an estimate was published under section 3352I.”

PIIA, PL 116-117 §3351’s Definitions Section 2e, *Compliance* states: “Publishes improper payments reduction targets established under section 3352(d) that the executive agency may have in the accompanying materials to the annual financial statement for each program or activity assessed to be at risk, and has demonstrated improvements and developed a plan to meet the reduction targets;”

PIIA, PL 116-117 §3352(c) Annual Report Section, states:

“Each executive agency shall publish an annual report that includes (i) a listing of each program or activity identified under paragraph (1), including the date on which the program or activity was most recently assessed for risk under paragraph (1); and (ii) a listing of any program or activity for which the executive agency makes any substantial changes to the methodologies of the reviews conducted under paragraph (1).”

Effects: If the FCC and USAC cannot reduce the IP and UP rate to comply with PIIA statutory thresholds, the agency may receive negative public feedback due to concerns regarding the potential misuse of USF money, which would result in the mistrust of the FCC and USAC management. Without an established methodology to determine if certain risks are unavoidable and beyond the agency’s ability to reduce to the statutory threshold, the FCC and USAC may continue to face challenges in reducing the FY 2021 USF-LL program IP and UP amounts of \$117.4 million and \$18.3 million, respectively. Also, the FCC and USAC may incur unnecessary spending of USF funds by implementing ineffective or costly controls if the FCC and USAC sets reduction targets for IP and UP rates that do not factor in unavoidable IPs and UPs.

Recommendations: Kearney recommends that USAC take the following actions under the supervision and monitoring of the FCC:

1. Using the risk assessment performed for the USF-LL program, establish a risk management approach that either results in 1) development of additional controls and procedures for high-risk areas that reduce USF-LL Program gross IP and UP rate below the PIIA statutory thresholds or 2) documentation of an accepted methodology to establish the tolerable IP and UP rate. [*Updated*]
2. Develop a written plan to meet the published IP and UP reduction targets that includes efforts to reach the tolerable IP and UP rate. [*New*]

3. Submit a plan to OMB describing actions that the FCC will take to come into compliance with PIIA, as required by PIIA, PL 116-117 §3353(b)(1). [New]

Finding 2: USF High Cost Program Estimated Improper Payments Not Compliant with PIIA Requirements

Conditions: On May 4, 2020, OMB granted USAC a waiver that allowed the FCC and USAC to forego conducting a statistically valid estimate of the IPs and UPs made under the HC program. Based on the communication with OMB regarding the HC program being split between Modernized and Legacy programs, FCC and USAC did not implement procedures to address any of the prior-year recommendations related to the deficiencies in the S&EMP. Instead, FCC and USAC performed a risk assessment to determine the root cause of IPs and identify which component of the HC program was more susceptible to IPs and UPs. The risk assessment performed identified each component of the HC program and included a description of the component. However, FCC and USAC’s risk assessment process for the HC program does not adequately conclude whether programs are likely to make IP and UP above the statutory threshold. Specifically, the risk assessment performed did not consider all program risks for the Modernized and Legacy programs. FCC and USAC’s risk assessment focused on the Legacy Support for Rate of Return Cost Companies because that program accounted for 27% of the calendar year disbursements. The Legacy Rate of Return Cost Companies include Connect America Fund Broadband Loop Support (CAF-BLS), High Cost Loop Support (HCLS), which includes Safety Valve Support (SVS), and Connect America Fund Intercarrier Compensation (CAF-ICC). Although FCC and USAC’s risk assessment noted that the Legacy Frozen High Cost Support Program Phase down calculations were complex and had resulted in IPs, USAC did not identify associated program risks or describe implemented mitigating factors.

In addition, USAC did not fully consider the programmatic risk for the Modernized program or Legacy program. Specifically, the reviewed High Cost risk assessment did not 1) fully address the different risk factors evaluated or 2) indicate the scoring or risk factor weighting methodology to determine the likeliness of IPs and UPs occurring. For example, the Modernized Fund programs require carriers to self-report quarterly milestone progress to determine compliance with program rules. If the carrier is found to have overstated milestone progress, either through self-reporting or through an audit, USAC reduces future support based on rules outlined by the public notice. The HC program risk assessment did not consider the risk that periodic audits will not prevent IPs from reimbursing carriers who have incorrectly self-reported. Further, USAC did not consider the risks that carriers may submit false support claims.

In the HC program risk assessment, USAC considered findings from the Government Accountability Office (GAO), FCC OIG, Improper Payment Audits, BCAP, PQA reviews, and other internal reviews. While USAC did consider the findings and documented mitigating strategies for each finding, the HC program risk assessment did not identify the specific risks that lead to these findings. Specifically, FCC’s and USAC’s risk assessment noted the following:

- Legacy Support for Rate-of Return Cost Companies:
 - During FY 2020, USAC noted that GAO recommended that the FCC perform an assessment of Legacy Rate-of-Return Cost-based Companies and decide if these companies should be required to transition to a model-based support mechanism. GAO also recommended that the FCC implement an antifraud strategy. While USAC identified mitigating strategies for the findings, the risk assessment did not identify which programmatic risks were present that led to the findings or how procedures had been developed to mitigate each risk.
 - The FCC OIG conducted an audit of the ICLS program for FY 2018. The audit found that improvements were needed regarding how USAC compiled and validated documents submitted by carriers to calculate ICLS support. In addition, it was found that USAC did not have adequate controls in place to mitigate conflicts of interest between carriers and the National Exchange Carrier Association (NECA), nor were the roles and responsibilities of the FCC, NECA, or USAC clearly defined for all processes. As with the GAO audit findings, USAC did not clearly identify which risks were present that led to the findings. Instead, USAC included a list of mitigating factors that were already in place to reduce the risk.
 - The FCC OIG (Audit of Adak Eagle Enterprises [AEE]) – The OIG conducted a FY 2018 audit of AEE, a HCF Legacy Rate-of Return Cost Company. The OIG concluded that an improper payment of \$77,000 had occurred. USAC determined that mitigating strategies were unnecessary because the support disbursed to AEE was less than the support for which AEE submitted expenses due to cap levels for support. As noted by the FCC OIG audit, there were unidentified risks associated with the HC Legacy Rate-of Return program.
 - Improper Payment Audit – USAC only identified findings related to the HC Legacy Support for Rate-of Return Cost Companies in the risk assessment although the auditor found that there were likely deficiencies in all HC programs. USAC’s risk assessment did not specify which risks were identified. Further, USAC noted that no mitigating strategies were implemented to address the findings.
 - BCAP Audit – USAC identified quantitative information related to the BCAP findings. USAC noted that both the FY 2018 and FY 2019 BCAP audits had findings that beneficiaries reported assets, expenses, and/or liabilities incorrectly. The risk assessment did not identify that a specific risk of the Legacy Rate-of Return Cost Companies was that their beneficiaries may underreport or incorrectly report financial information provided as support. Further, USAC did not develop mitigating strategies to address the issue. In addition, the predecessor auditor recommended that USAC management use the BCAP results or a modified version of the BCAP to project the estimated IP rate in the USF-HC Program. Consistent with written communication from OMB, USAC completed a risk assessment for FY 2021;

however, it did not develop procedures to implement this recommendation during FY 2021.

- PQA Review – USAC noted that the PQA reviews had low IP rates and amounts and that the estimated IP rates and amounts were under the statutory thresholds. However, the PY findings indicated that due to deficiencies noted, USACs S&EMP did not accurately reflect the true IP rate and amount for HCF. Therefore, USAC’s inclusion of the PQA reviews in the risk assessment did not accurately reflect the true risks of IPs that would be identified through PQA testing.
- Management Review – USAC noted that because NECA calculates disbursements based on statistical formulas approved by the FCC, there is low complexity in the calculations for Legacy Support for Rate-of-Return Average Schedule Companies. However, the risk assessment noted that in FY 2019, USAC identified a miscalculation made by NECA that resulted in a \$0.2 million improper payment. The risk assessment did not specify the root cause of the miscalculation nor were the specific risks that are associated with NECA’s processes relating to HCF programs identified.
- Legacy Frozen High Cost Support
 - USAC’s risk assessment identified a \$1.5 million improper payment resulting from an improper reduction for cap price carriers when the Rural Digital Opportunity Fund eligible areas list for Phase I was released. The risk assessment did not identify the root cause of the risks that resulted in the IP or adequately assess whether the mitigating strategies noted can reduce the likeliness of further IPs and UPs.

Causes: FCC and USAC did not have an adequate risk assessment methodology. The HC program risk assessment did not incorporate the Enterprise Risk Management (ERM) framework from OMB Circular A-123. Specifically, the HCF risk assessment did not include a risk scoring or weighting methodology, which identified the risk factors considered to be the most significant and allowed the agency to dedicate the highest level of attention when performing the risk assessment. The ERM framework minimizes the potential of making investments in risk controls that negatively affect the program mission, efficiency, customer experience, or overall operations. Further, FCC and USAC did not have a tolerable rate methodology to determine if risks are unavoidable or if controls to mitigate risk would be cost-prohibitive.

Criteria: OMB M-21-19 Appendix C, Section II A, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, dated March 5, 2021, states:

“The purpose of an IP risk assessment is to determine whether the total annual IPs PLUS the UPs for a program are collectively likely to be above or below the statutory threshold for the given year. If the assessment determines that it is likely that the program’s IPs plus the program’s UPs are above the statutory threshold then, the following year the program should produce a statistically valid estimate of the programs IPs and UPs. If the

IP risk assessment demonstrates that the program is not likely to make IPs and UPs above the statutory threshold, then the program will not produce a statistically valid estimate in the following year and instead will conduct another IP risk assessment in three years.”

OMB M-21-19 Appendix C, Section II A.1, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, dated March 5, 2021, states:

“The agency should develop an IP risk assessment methodology that is appropriate to ensure that the result of the IP risk assessment reasonably supports whether the program is or is not susceptible to significant IPs (i.e., likely to have IPs plus UPs that are above or below the statutory threshold). Additionally, agencies should be mindful that, when evaluating compliance, the Inspector General (IG) will evaluate and take into account the adequacy of the IP risk assessment and the IP risk assessment methodology used.”

Effects: FCC and USAC’s HCF risk assessment did not comply with the requirements of PIIA. Failure to identify and manage payment integrity risks through a scoring and weighting methodology results in inaccurate assessments of the likelihood of IPs and UPs. If FCC and USAC do not identify which risks are within the agency’s ability to fully to mitigate as opposed to risks that are outside of the agency’s control, resources may be expended on developing controls for IPs and UPs that are unavoidable.

Recommendations: Kearney recommends that FCC and USAC take the following actions under the monitoring of the FCC:

4. Modify the PQA assessment procedures to identify and target USF-HC rules and significant risks of improper payments. *[Repeat]*
5. Direct USAC management to develop guidance, consistent with OMB M 21-19, for incorporating the results of PQA procedures in programmatic risk assessments. *[Updated]*
6. Direct USAC management to incorporate the results of the BCAP to identify additional risks and implement risk-based procedures for the PQA assessment procedures in the USF-HC Program. *[Updated]*
7. Direct USAC management to incorporate the ERM framework from OMB Circular A-123 to assist in the identification of and management of payment integrity risk *[New]*
8. Develop and implement a written IP and UP risk assessment methodology that reasonably supports whether the program is susceptible to making IPs and/or UPs. The methodology should include a risk scoring or weighting factor for each associated risk and documentation of Senior Management’s processes for determining a tolerable IP and UP rate. *[New]*

Finding 3: The FCC Risk Assessments Did Not Include All of the OMB Criteria

Conditions: Although a risk assessment was completed for the FCC Operating Expenses, TVBRF, and the COVID-19 Telehealth programs, improvements are needed to fully address all of the OMB criteria. Specifically, the FCC risk assessments do not use the ERM framework, as

specified in OMB Circular A-123. Moreover, the FCC has not developed a methodology that identifies and evaluates the potential payment integrity risks faced by the agency. In addition, the current methodology does not analyze the potential likelihood and impact of those risks and prioritize the risks based on the results of the risk assessment. During the FY 2021 risk assessment process, the FCC’s Operating Expense and COVID-19 Telehealth programs risk assessments were combined, and therefore lacked specific details of the different risks that affect each program.

Causes: The FCC did not establish policies and procedures to implement the ERM framework into PIIA risk assessments. Instead, the FCC considered the risk factors listed in OMB M-21-19 reflective of the FCC’s risks without assessing program or agency specific risks. The FCC stated that management also considers other factors like existing controls and processes and procedures surrounding disbursements; however, the FCC has not documented a risk assessment process that details additional factors considered or that includes a risk scoring or weighting methodology to aid in identifying and managing the risk of IPs and UPs. The FCC stated that, although they do not have a written weighting or scoring methodology, it determines the significance of risk through the amount of improper payments reported in audit reports from the GAO and OIG.

Further, the FCC considered the risks of the COVID-19 Telehealth program and the FCC operating expenses in conjunction because the two share the same Treasury Accounting Symbol (TAS) 27X0100. TAS 27X0100 is a General Fund account used for the FCC’s salaries and expenses. The FCC noted that when disbursements are reviewed during the audit recovery review, the same disbursement detail for TAS 27X0100 is used and two separate samples are selected, one for salaries and expense and a second for the COVID-19 Telehealth program. The FCC also noted that the amount of improper payments in the COVID-19 Telehealth program for FY 2021 was approximately \$316,000, which is below the statutory threshold that requires an IP and UP estimate for being above both 1.5% and \$10 million of the program’s total outlays or above \$100 million. In addition, the Round 2 COVID-19 Telehealth payments were not disbursed until FY 2022. Because the improper payment amount was below the statutory limit and Round 2 disbursements were not made until FY 2022, the FCC did not determine that the risks between FY 2020 and FY 2021 had changed.

Criteria: OMB M-21-19 Appendix C, Section VI A 2b, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, dated March 5, 2021, states:

“To achieve compliance the agency must conduct an IP risk assessment at least once every three years, for each program with annual outlays greater than \$10,000,000 to determine whether the program is likely to make IPs plus UPs that would be in total above the statutory threshold. The agency is responsible for ensuring that all programs with annual outlays greater than \$10,000,000 have been assessed at least once every three years.”

OMB M-21-19, Appendix C, Section VI A 2b, “Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement,” dated March 5, 2021, states: “To achieve compliance the agency must ensure that the IP risk assessment methodology used adequately concludes whether the program is likely to make IPs plus UPs above or below the statutory threshold.”

OMB M-21-19 Appendix C, Section II A 1a, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, dated March 5, 2021, states: “The risk factors above are provided as examples only, it is the agency’s responsibility to determine the risk factors and the associated scoring or risk factor weighting methodology that should be considered for each individual program and risk.”

OMB M-21-19 Appendix C, Section IV A 3, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, dated March 5, 2021, states:

“The Agency’s Risk Profile, as required by OMB Circular No. A-123, should include an evaluation of payment integrity risks. To effectively manage payment integrity risk, agency senior management must perform an assessment in which they identify and evaluate the potential payment integrity risks the agency faces, analyze the potential likelihood and impact of those risks, and finally, prioritize the risks. The payment integrity risks should be prioritized based on the results of the assessment and the program’s tolerable IP rate.”

Effects: The FCC’s risk assessments did not include all of the required OMB risk assessment criteria. Failure to identify and manage payment integrity risks can result in inaccurate assessments of the likeliness of IPs and UPs occurring. In addition, considering risk at the TAS-level instead of the program-level does not allow the FCC to accurately assess risk factors that are specific to rules of programs. Further, the FCC may not consider all controls necessary to mitigate program risks.

Recommendations: Kearney recommends that the FCC take the following actions related to its improper payment risk assessment:

9. Develop and implement a written IP and UP risk assessment methodology that incorporates the ERM framework from OMB Circular A-123, to assist in the identification and management of payment integrity risk and support whether the program is susceptible to making IPs and/or UPs. The methodology should include a risk scoring or weighting factor for each program and associated risk. [New]
10. Perform a separate risk assessment for the COVID-19 Telehealth program, independent of the risk assessment performed over the FCC Operating Expenses program. [New]

Finding 4: The TRS Risk Assessment Did Not Include All of the OMB Criteria

Conditions: Although a risk assessment was completed for the TRS Fund, improvements are needed to fully address all of the OMB criteria. Specifically, the TRS Fund’s risk assessment does not adequately focus on the FCC rules that are susceptible to a significant risk of IPs, such as certification of eligible users, certification of TRS providers, and NDBEDP reimbursements for eligible individuals and authorized services. Further, the FCC, TRS Fund Administrator, and TRS providers have not addressed the responsibilities of each party to manage risks of IPs and describe methodologies used to obtain assurance that each party manages its risks of IPs appropriately and as intended.

Causes: The FCC and the TRS Fund Administrator did not develop policies to include the risks of improper payments associated with FCC rules related to the TRS Fund eligibility and the NDBEDP in risk assessments. Nor did the TRS risk assessment follow risk scoring or weighting methodology, as noted per the ERM framework in OMB Circular A-123. Specifically, FCC and the TRS Fund Administrator only considered the risk factors listed in OMB M-21-19; and did not identify additional programmatic risk factors. Moreover, the risk assessments did not consider the risk that service provider reporting may include inaccurate information which would result in IPs. Further, the risk assessments did not incorporate findings from the cost audits conducted by an Independent Public Accountant (IPA) for TRS providers. Specifically, FCC and the TRS Fund Administrator did not consider cost audit findings that determined TRS service providers program costs were not in accordance to FCC program rules. Furthermore, FCC management has not developed written policies and procedures that acknowledge the interdependent relationships between the FCC, TRS fund administrator, and TRS providers. The FCC’s Consumer and Governmental Affairs Bureau (CGB) and TRS Fund Administrator hold meetings to discuss potential IP issues; however, the discussions are not documented.

Criteria: OMB M-21-19 Appendix C, Section VI A 2b, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, dated March 5, 2021, states:

“To achieve compliance the agency must conduct an IP risk assessment at least once every three years, for each program with annual outlays greater than \$10,000,000 to determine whether the program is likely to make IPs plus UPs that would be in total above the statutory threshold. The agency is responsible for ensuring that all programs with annual outlays greater than \$10,000,000 have been assessed at least once every three years.”

OMB M-21-19 Appendix C, Section II A 1a, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, dated March 5, 2021, states: “The risk factors above are provided as examples only, it is the agency’s responsibility to determine the risk factors and the associated scoring or risk factor weighting methodology that should be considered for each individual program and risk.”

OMB M-21-19 Appendix C, Section IV A 3, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, dated March 5, 2021, states:

“The Agency’s Risk Profile, as required by OMB Circular No. A-123, should include an evaluation of payment integrity risks. To effectively manage payment integrity risk, agency senior management must perform an assessment in which they identify and evaluate the potential payment integrity risks the agency faces, analyze the potential likelihood and impact of those risks, and finally, prioritize the risks. The payment integrity risks should be prioritized based on the results of the assessment and the program’s tolerable IP rate.”

Effects: The FCC’s TRS risk assessment did not include all of the required PIIA PL 116-117 Section 3352(a) risk assessment criteria. Failure to identify and manage payment integrity risks can result in inaccurate assessments of the likelihood of IPs and UPs occurring.

Recommendations: Kearney recommends that the FCC take the following actions related to its improper payment risk assessments:

11. Using the ERM framework from OMB Circular A-123, perform a new risk assessment in order to properly modify the risk assessment to focus on the FCC rules for the TRS Fund that are susceptible to a significant risk of IPs, such as certification of eligible users, certification of TRS providers, and NDBEDP reimbursements for eligible individuals and authorized services. [*Updated*]
12. Develop policies and procedures that a) acknowledge the interdependent relationships between the FCC, TRS Fund Administrator, and TRS providers; b) address the responsibilities of each party to manage the risks of IPs; and c) describe methodologies used to obtain assurance that each party manages its risks of IPs appropriately and as intended. [*Repeat*]
13. Incorporate the results of the cost audit reports performed on TRS providers into the TRS risk assessment. [*New*]

Finding 5: USF Schools and Libraries Program IP Estimate above PIIA of 2019 Statutory Threshold

Conditions: The FCC reported an estimated IP and UP rate and amount above the statutory threshold. Specifically, the S&L program reported an IP rate estimate of 2.97% and an IP amount of \$62.1 million. While the S&L program reduced the IP and UP estimate from 4.46% and \$88.4 million in FY 2020 and met the FY 2021 reduction target rate of 4.40%, the corrective actions implemented did not reduce the IP and UP estimates below the statutory thresholds.

During the most recent PQA assessment, invoicing errors accounted for 0.97% of the overall IP rate of 2.97%. Furthermore, the extrapolated amount for invoicing errors was \$20 million of the \$62 million estimated IP amount. In addition, competitive bidding errors accounted for 1.77% of the overall IP rate of 2.97% and \$37 million of the \$62 million estimated IP amount.

Causes: The FCC and USAC have not effectively implemented controls to prevent or reduce IPs and UPs below the statutory threshold. Specifically, USAC does not have a process to review documentation obtained by the applicant to determine if open and fair bidding was followed. Currently, the competitive bidding process does not require all applicants to submit documentation to prove that the bidding practice was open and fair. Instead, program rules allow an applicant to certify via FCC Form 470, *Description of Services Requested and Certification Form*, and FCC Form 471, *Description of Services Ordered and Certification Form*, that competitive bidding procedures have been followed. In the FY 2021 reduction target plan, the FCC noted that it has developed a Request for Proposal (RFP) for a competitive bidding portal to house documents used in determining program compliance. The Competitive Bidding Portal RFP is currently pending review and approval from the FCC. It was also noted that a rulemaking proceeding to obtain public comment on the competitive bidding portal was first required to determine if changes to the RFP were necessary.

In addition, the FCC and USAC’s processes do not effectively identify invoicing errors prior to disbursing payments, unless the service provider has been flagged for manual review. Specifically, USAC’s S&L legacy system does not effectively verify that service provider invoices support the undiscounted amount of the disbursement. This results in IPs which exceed the amount of support the applicant is eligible to receive.

Criteria: OMB M-21-19 Appendix C, Section II C1, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, dated March 5, 2021, states: “Programs are considered to be above the statutory threshold if they are reporting an annual IP and UP estimate that is either above \$10,000,000 and 1.5% of the program’s total annual outlays or above \$100,000,000 regardless of the associated percentage of the program’s total annual outlays that the estimated IP and UP amount represents.”

OMB M-21-19 Appendix C, Section VI C, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, dated March 5, 2021, states:

“... for each agency program reporting an estimate above the statutory threshold, the OIG must include recommendation(s) for action(s) to further improve prevention and reduction of IPs and UPs within the program. The OIG will engage with the program and/or other part of the agency regarding the specific corrective action recommendations to ensure appropriate and effective corrective action recommendations are made”

Effects: If the FCC management cannot reduce the IP and UP rate to below statutory thresholds, the FCC may receive negative public feedback due to concerns regarding the potential misuse of taxpayer money, resulting in the mistrust of the FCC management and S&L program.

Recommendations: Kearney recommends that the FCC take the following actions to address improper payment risk:

14. Continue to enhance USACs applicant outreach program to educate applicants on the S&L program rules, especially rules relating to the competitive bidding processes. [New]

15. Enhance the use of automation tools in E-Rate Productivity Center (EPC) to check invoices for common errors and invoices that are flagged as high risk of non-compliance with program invoicing requirements. [*New*]

Finding 6: USF Lifeline Overpayment Amount Identified As An Improper Payment Is Inaccurate

Conditions: The FCC is non-compliant with OMB M-21-19. In the FY 2019 IPERIA compliance report a finding relating to a \$205 million overpayment in the Lifeline program was noted. Through PIIA reporting, the FCC accounted for \$175 million of the \$205 million overpayment. For the \$30 million of the remaining \$205 million overpayment, the FCC reported a smaller overpayment. The audit team was informed by the FCC management that a proposed settlement between the FCC and an ETC will reduce the IP from \$30 million to an amount that would not be significant to the payment integrity information reported by the FCC. Further, the proposed settlement will retroactively grant the ETC’s petition requesting approval to revise its operating jurisdiction. However, the settlement has not been formally enacted by issuing a Forfeiture Order or Consent Decree and is not binding. Therefore, FCC’s exclusion of the \$30 million from their reported payment integrity information constitutes non-compliance with PIIA.

Causes: The FCC has not enacted formal approval for the proposed settlement through the current Chairwoman’s Office by issuing a formal agreement. Further, the agreement with the prior Chairman’s office was not formalized by signing a binding agreement and cannot be considered valid. In addition, the FCC management noted that because of the prior year finding, they felt it was necessary to report an amount related to the improper payment to OMB. The estimated amount from the proposed settlement was reported because the FCC management determined the estimate to be reasonable.

Criteria: OMB M-21-19 Appendix C, Section VI A 1a, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, dated March 5, 2021, states:

“To achieve compliance the agency must publish any applicable payment integrity information in its annual financial statement in accordance with payment integrity guidance provided in OMB Circular A136. In addition, the agency must publish any applicable payment integrity information required in the accompanying materials to the annual financial statement in accordance with applicable guidance.”

Effects: If the FCC reports IPs before settlements requiring retroactive rule changes to have been finalized, the USF-LL program improper payment reporting may not be accurate. In addition, the Chairwoman’s office may modify or reject the proposed settlement requiring the FCC to update the IP information in subsequent years to increase the amount. Upwardly adjusting IP information may lead to taxpayer mistrust of the FCC management. In addition, Congress may not be accurately informed regarding the full extent of IPs for the USF-LL program.

Recommendations: Kearney recommends that the FCC take the following actions:

16. Work with the Chairwoman's Office to formalize the IP by issuing a Forfeiture Order or Consent Decree. Report the amount from the binding agreement as an Improper Payment identified through recovery actions or report the full amount of \$30 million as an overpayment identified through recovery activities. [*New*]
17. Once the settlement has been finalized, through the OMB annual data call, include measurable milestones to accurately report IP information on paymentaccuracy.gov if found non-compliant with OMB M-21-19. [*New*]

Management's Response to Audit: See *APPENDIX B*.

APPENDIX A – SCOPE AND METHODOLOGY OF THE AUDIT

The Payment Integrity Information Act of 2019 (PIIA) requires the Office of Inspector General (OIG) to provide an annual report of the Federal Communications Commission’s (FCC) compliance with improper payments requirements. In accordance with the PIIA requirement, an external audit firm, Kearney & Company, P.C. (Kearney), acting on behalf of OIG, conducted an audit to determine whether the FCC complied with PIIA for Fiscal Year (FY) 2021. As part of this objective, Kearney also evaluated the FCC’s efforts to prevent and reduce improper payments.

Kearney conducted this audit from November 2021 to June 2022. The scope of this audit was the FCC’s FY 2021 improper payment reporting process. Kearney’s audit was impacted by the Coronavirus Disease 2019 (COVID-19) pandemic and resulting operational challenges. These challenges included the inability to conduct in-person meetings. Kearney’s performance audit engagement was conducted in accordance with the performance audit standards established by Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we obtain reasonable assurance that evidence is sufficient and appropriate to support our findings and conclusions in relation to the audit objectives. Kearney believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objective.

To obtain background information, Kearney researched and reviewed legislative requirements related to improper payments, OMB guidance, and prior OIG and Government Accountability Office (GAO) audit reports. Kearney designed the audit to obtain insight into the FCC’s current processes, procedures, and organizational structure regarding compliance with improper payment requirements. To expedite the audit process, Kearney leveraged the results of our FY 2021 audit of the FCC’s financial statements to confirm our understanding of the nature and profile of the FCC operations, regulatory requirements, and supporting information systems and controls. To determine compliance with PIIA, we reviewed the FCC’s FY 2021 Agency Financial Report (AFR) and conducted the following:

- Performed virtual walkthroughs and interviews with the applicable FCC, Universal Service Administrative Company (USAC), Rolka Loube (RL), and Welch LLP personnel to gain an understanding of the PIIA risk assessments conducted and reported results in the FY 2021 AFR (Appendix 3, *Payment Integrity Information Act Reporting*)
- Reviewed the risk assessments implemented by the FCC, along with applicable supporting documentation to corroborate the results reported on the AFR
- Reviewed documentation related to Improper Payment (IP) estimates, internal control program activities, and Corrective Action Plans (CAP) implemented as a result of findings noted within the FY 2019 IPERIA Compliance Report and the FY 2020 PIIA Compliance Report
- Reviewed quarterly reporting pertaining to each major, high-risk program activity.

Work Related to Internal Controls

The FCC management is responsible for establishing and maintaining effective internal controls to identify and prevent IPs in its programs and activities. While planning and performing our audit, we considered several factors, including the subject matter of the project, to determine whether internal control was significant to the audit objectives. Kearney then determined that internal control was not significant for this audit. Although internal control was not significant to the audit objectives, Kearney performed procedures to gain an understanding of internal controls related to the FCC's IP reporting processes. Specifically, Kearney obtained and reviewed the FCC's policies and procedures for making payments, performing risk assessments, and reporting IP information.

APPENDIX B – MANAGEMENT’S VIEWS ON CONCLUSIONS AND FINDINGS**Federal Communications Commission
Office of the Managing Director
Washington, D.C. 20554**

To: David Hunt, Inspector General, FCC

From: Mark Stephens, Managing Director, FCC

Date: June 22, 2022

Subject: Management’s Response to Independent Auditor’s Report on the Federal Communications Commission’s Compliance with the Payment Integrity Information Act of 2019 (PIIA) Reporting for Fiscal Year (FY) 2021

Thank you for the opportunity to respond to the draft report from the Office of Inspector General (OIG) to the Managing Director, regarding the Federal Communications Commission’s (FCC or Commission) compliance with the requirements described in the Office of Management and Budget (OMB) Memorandum M-21-19, Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement*. We appreciate the efforts of your team to work with the Commission on this audit and share your interest in reducing waste, fraud, and abuse across all programs overseen by the Commission. In response to the FY 2021 Draft PIIA Audit Report, the Federal Communications Commission (Commission or FCC) provides the responses below.

FINDING 1: UNIVERSAL SERVICE FUND – LIFELINE GROSS IMPROPER PAYMENT AND UNKNOWN PAYMENT RATES NOT COMPLIANT WITH PIIA REQUIREMENTS

The Commission and the Universal Service Administrative Company (USAC) concur with the recommendations. The FCC and USAC will coordinate to establish a risk management approach that either results in 1) development of additional controls and procedures for high-risk areas that reduce the combined Universal Service Fund Lifeline Program gross Improper Payment (IP) and Unknown Payment (UP) rate below the PIIA statutory thresholds or 2) documentation of an accepted methodology to establish the tolerable IP and UP rate. In addition, the Commission and USAC will coordinate to develop a written plan to meet the published IP and UP reduction targets that includes efforts to reach the tolerable IP and UP rate. Further, the FCC and USAC will coordinate to submit a plan to OMB describing actions that the Commission and USAC will take to come into compliance with PIIA. USAC management acknowledges their responsibilities for developing, documenting, and implementing a process to determine a tolerable IP and UP rate.

The Commission and USAC acknowledge that the combined IP and UP exceed the OMB-established compliance threshold of 10%. However, the Commission clarifies that the unknown amounts (2.14% of the 15.87% total Improper Payment Rate) are still under investigation and a

portion of these unknown amounts may be deemed proper after further analysis. The Commission would also like to note that the improper payment rate for 2021 was calculated using a sample that included two of the National Lifeline Accountability Database (NLAD) opt-out states. These states have unique practices that are not reflective of the activity seen in the states where USAC operates the National Verifier, or even in other NLAD opt-out states. As a result, Commission staff believe that this improper payment rate erroneously reflects an extrapolation of issues only attributable to these two states to the entire Lifeline program subscriber base. The FCC and USAC are actively engaged with those opt-out states to implement best practices and process changes that may positively impact their eligibility verification efforts. We further emphasize that we believe this improper payment rate does not accurately reflect the status of improper payments across the overall program. In fact, we estimate that less than 1/5 of the reported total dollar amount of improper payments may be attributable to activity in the states administered by USAC's National Verifier, with the opt-out states accounting for the vast majority of improper payments.

The Commission also agrees that usage data is not required to be submitted to the FCC or USAC by Eligible Telecommunications Carriers (ETCs), except for in instances of an audit. To mitigate the risk, in July of 2021 and in consultation with the FCC, USAC updated the Lifeline Claims System to alert ETCs that appear to be claiming a higher than typical percent of their subscribers and remind them not to claim subscribers who have not used the service within 45 days.

As noted, FCC rules permit some states to manage consumer enrollment outside of the NLAD and National Verifier systems. However, there are program controls and procedures developed to mitigate these risks. Specifically, USAC checks payments to subscribers in opt-out states to identify duplicates and samples the verifications performed by opt-out states to determine if states are meeting the expected standard of review and compliance. For each of these areas, the FCC and USAC will evaluate what, if any, additional steps can be implemented within existing program rules.

FINDING 2: USF-HIGH COST PROGRAM ESTIMATED IMPROPER PAYMENTS NONCOMPLIANT WITH PIIA REQUIREMENTS

USAC does not concur with recommendations 4 through 7; USAC disagrees with the findings related to the risk assessment. USAC performed a risk assessment of the High Cost program in Fiscal Year 2021 in accordance with OMB M-21-19 guidance. The risk assessment addressed the eleven factors set forth in OMB M-21-19. While not included in the risk assessment report itself, those conducting the risk assessment did consider the likelihood and impact of risks. USAC has an Enterprise Risk Management (ERM) framework in place. The ERM framework includes four steps: risk identification, risk assessment, risk response, and monitoring and evaluation. Each step includes a measure for the risk impact, likelihood, and risk score. Similarly, the High Cost Risk Assessment considered the Payment Quality Assurance (PQA) procedure results including the improper payment rate and dollar amount for the last three fiscal years. USAC notes that OMB M-21-19 indicates that additional risk factors may be considered, but does not require them to be included.

The risk assessment focused on Legacy rate of return carrier support. Using the information from PQA and audit results, as well as an understanding of inherent risks within the program; USAC and the FCC found that area to be of higher risk than other areas of the program. For example, Modernized High Cost funds disbursements are based on standardized amounts pre-determined by

the FCC, and these funds are tracked through deployment obligation data collection annually on March 1st. The deployment milestone is verified through a statistically valid sample selection. If a carrier fails to meet a milestone, the FCC's rules require a corresponding reduction in support until the compliance gap is remediated.

The FCC instructed USAC to perform a risk assessment on the High Cost program (Modernized and Legacy) to determine if the program is susceptible to significant risk; therefore USAC did not perform High Cost improper payment testing in FY 2021. The High Cost risk assessment included beneficiary audit findings that noted the beneficiary did not report assets, expenses, and/or liabilities in the correct category. To address the risks identified in the FY 2021 High Cost risk assessment as well as those identified by beneficiary audits, the PQA assessment procedure for FY 2022 was revised. The new risk-based assessment procedure include testing of assets, expenses, and depreciation. The USAC Audit Assurance Division (AAD) is currently testing High Cost disbursements and will have improper payment results for FY 2022 that will include improper payment details from the new expanded procedures.

As indicated during the May 18, 2022 meeting, USAC has taken a number of steps to identify and implement additional risk-based controls for the High Cost program. In 2019, USAC engaged a third party accounting firm to examine processes and identify control weaknesses. The results were shared with the program to facilitate the enhancement of procedures to mitigate improper payments and to strengthen internal controls. USAC's Fraud Risk team is finalizing a Government Accountability Office (GAO) Fraud Risk Assessment for the High Cost program, and USAC's Audit and Assurance Division continues to enhance the audit strategy, which consists of risk-based, targeted and random audits.

USAC partially concurs with the recommendation 8. USAC agrees it is responsible for developing, documenting, and implementing a process to determine a tolerable IP and UP rate. However, USAC disagrees that the risk assessment methodology did not support whether the program is susceptible to making IPs. Although USAC did not include the details of the risk inventory in the High Cost risk assessment, USAC relied on separate documentation of the risk inventory and risk scoring, which supports the determination of the program being susceptible to making IPs and/or UPs.

FINDING 3: THE FCC RISK ASSESSMENTS DO NOT INCLUDE ALL OF THE OMB CRITERIA

The Commission agrees with this recommendation. The Commission will assess each individual program separately in accordance with OMB M-21-19. In addition, the Commission will develop a risk assessment methodology for its assessments that includes individual program risks and ensures it includes weighting and scoring for each program required to perform a risk assessment in the next risk assessment cycle.

FINDING 4: THE TRS RISK ASSESSMENT DID NOT INCLUDE ALL OF THE OMB CRITERIA

The Commission concurs with this finding. The Telecommunications Relay Service (TRS) Fund administrator will modify the risk assessment to reference a PIIA risk assessment which will include a focus on the major FCC rules for the TRS Fund that are susceptible to a significant risk

of IPs and will also incorporate the results of cost audits performed on the TRS Providers into the risk assessment as well.

The TRS Fund Administrator will work with the FCC to document policies and procedures that a) acknowledge the interdependent relationships between the FCC, the TRS Fund Administrator, and TRS providers; b) address the responsibilities of each party to manage the risks of IPs; and c) describe methodologies used to obtain assurance that each party manages its risks of IPs appropriately and as intended. The TRS Administrator will outline responsibilities and will rely on the compliance of outside parties with the Commission’s rules to obtain assurance that parties are managing their risk of IPs appropriately. The TRS Provider Audit plan will be reviewed and approved by the FCC to obtain assurance that the responsibilities of the TRS Providers are being managed.

FINDING 5: USE SCHOOLS & LIBRARIES PROGRAM IP ESTIMATE ABOVE PIA OF 2019 STATUTORY THRESHOLD

The Commission concurs with the finding and does not dispute that the Schools and Libraries (S&L or E-Rate) program reported an estimated IP and UP rate above the statutory threshold of either \$10 million and 1.5% of the program’s total overlays or above \$100 million based on the FY 2021 PQA assessments. The leading contributor to the S&L Program’s current IP rate is applicants’ and service providers’ failure to comply with the competitive bidding rules and conduct fair and open competitive bid processes. On December 14, 2021, the Commission adopted a Notice of Proposed Rulemaking (NPRM) seeking comment on establishing a competitive bidding portal for the S&L Program. The Commission sought public comment on various issues related to implementing such a portal, for example, requiring service providers to use the portal to submit their bids to applicants; for the bids to be held for at least 28 days prior to allowing applicants access to the bids; and for the portal to be used as a document repository and store the applicants’ competitive bidding-related documentation. The NPRM was published in the Federal Register on January 27, 2022, thereby requiring comments to be submitted on or before March 28, 2022, and reply comments on or before April 27, 2022. On March 16, 2022, the Wireline Competition Bureau, in response to E-Rate stakeholders’ request, extended the comment and reply comment due dates by thirty days and required comments to be submitted on or before April 27, 2022, and reply comments on or before May 27, 2022.

We believe this rulemaking proceeding will provide valuable public feedback regarding the design and implementation of the competitive bidding portal, as well as additional steps the Commission can take to ensure S&L program participants comply with the competitive bidding rules and conduct fair and open bidding processes. We further believe the establishment of this competitive bidding portal will help eliminate future improper payment rates caused by S&L participants’ failure to comply with the Commission’s competitive bidding rules.

The Commission offers the following comments regarding the S&L Program recommendations 14 and 15. In regards to recommendation 14, we note that USAC currently offers training regarding the competitive bidding rules and process, which is highlighted through its annual fall training program, webinars and its outreach to schools and libraries (see, e.g. <https://www.usac.org/e-rate/learn/>). We will continue to work with USAC to enhance both its training and outreach opportunities to reinforce the competitive bidding requirements for applicants and service providers participating in the program. In regards to recommendation 15,

we note that the SL Legacy system is currently used to review and process invoices submitted for reimbursement in the S&L program. However, USAC is in the process of transitioning the invoicing functionality to the E-Rate Productivity Center (EPC), and we will take into account this recommendation while determining the requirements for the new invoicing system for the S&L program.

In addition, USAC offers the following responses to this finding and to the recommendations. USAC concurs with the recommendations. USAC continues to review its E-Rate processes to determine risks and control gaps for enhancements. USAC continues to see success in the reduction of the E-Rate program’s improper payment rate year over year, as noted in the narrative. Improper payment reviews are conducted in a post-transaction point-in-time, which does not allow for the evaluation of the effectiveness of newly implemented controls as the identified trends occurred before the controls were implemented. While the E-Rate program’s improper payment rate has not fallen below the statutory threshold, we expect the declining trend to continue with the current and additional planned controls being implemented, and through additional training efforts.

Regarding recommendation 14, currently, USAC relies on its Selective Review (competitive bidding reviews) procedures as an opportunity to identify potential competitive bidding violations. The Selective Review team assesses the applicant’s competitive bidding process, including the vendor selection process, preparation and issuance of request for proposals and FCC Form(s) 470, evaluation of the bids and proposals received, and examination of the relationships between and among service providers and applicants (including their consultant(s), if applicable) to verify there was no improper service provider involvement. In addition, USAC is adding various data analytics tools to help detect potential non-compliance with the Commission’s rules as part of the application and competitive bid review processes. USAC’s selective review process was evaluated through an internal audit in 2021 with no significant findings noted. USAC also conducts annual E-Rate program training in the fall, along with webinars and other training opportunities throughout the year. USAC will continue to adapt its training materials to help applicants and services providers understand and comply with the competitive bidding and invoicing rules and requirements.

In regards to recommendation 15, USAC performs four levels of review as part of its E-Rate invoice validation prior to approving the invoices for payment. This process includes automated and manual reviews, which use multiple edits (i.e., “flags”) to identify potential non-compliance issues for additional reviews before the invoice can be approved for payment. USAC is also in the process of transitioning the E-Rate invoicing functionality from the SL Legacy system to EPC, and will continue to consider ways to automate and enhance the invoice review process, including flagging high-risk invoices, in the new invoicing system.

FINDING 6: USF LIFELINE OVERPAYMENT AMOUNT IDENTIFIED THROUGH RECOVERY ACTIVITIES ARE INACCURATE

The Commission partially agrees with this finding. The Commission followed the advice of the OIG’s previous auditor in reporting on improper payments outside of audit recapture even though we informed them that there had been no formal written documentation provided. The previous auditor insisted we report the improper payment amount in our AFR. Although there were no formal consent decrees or notice of apparent liabilities formalized at the time we were required to

report on improper payments, we did so on the recommendation of the auditor. We will continue to work to determine the appropriate next steps and follow the guidance in OMB M-21-19.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mark Stephens", with a stylized flourish at the end.

Mark Stephens
Managing Director

APPENDIX C – KEARNEY’S EVALUATION OF MANAGEMENT’S COMMENTS

The Federal Communications Commission (FCC) provided a response to Kearney & Company, P.C.’s (Kearney) findings, as seen in ***APPENDIX B – MANAGEMENT’S VIEWS ON CONCLUSIONS AND FINDINGS***. We have evaluated their response and in this appendix and have included our responses to FCC’s comments in the instances where they did not concur with our findings and recommendations.

Finding 2: In this response, FCC stated that the Universal Services Administrative Company (USAC) did not concur with Recommendations 4 through 7 related to ***Finding 2: USF High Cost Program Estimated Improper Payments Not Compliant with PIIA Requirements***. FCC also stated that USAC partially concurred with Recommendation 8. Specifically, these responses related to our findings regarding risk assessment. The following is our evaluation of those responses.

Risk Assessment’s Compliance with Office of Management and Budget (OMB) M-21-19

FCC stated in their response that their risk assessment for the High Cost (HC) program complied with the requirements of OMB M-21-19. As described in our finding, the FCC received a waiver from OMB that allowed the FCC and USAC to forego conducting a statistically valid estimate of the Improper Payments (IP) and Unknown Payments (UP) made under the HC program and instead perform a risk assessment. USAC’s risk assessment of the HC program addressed the 11 risk factors set forth in OMB M-21-19. USAC noted to the auditor that OMB M-21-19 indicates that additional risk factors may be considered but does not require them to be included. The auditors disagree with this assertion, as OMB M-21-19 states that, “the risk factors above are provided as examples only, it is the agency’s responsibility to determine the risk factors and the associated scoring or risk factor weighting methodology that should be considered for each individual program risk.” Therefore, the auditors determined that the Universal Service Fund (USF)-HC program’s reliance on assessing payment integrity risks based on the broad examples included in M-21-19 does not provide a reliable assessment of the programmatic risks that are unique to the specific program. For instance, although the FCC and USAC’s risk assessment noted that the Legacy Frozen High Cost Support Program Phase down calculations were complex and had resulted in IPs, USAC did not identify associated program risks or describe implemented mitigating factors. Additionally, the Modernized Fund programs require carriers to self-report quarterly milestone progress to determine compliance with program rules. If the carrier is found to have overstated milestone progress, either through self-reporting or through an audit, USAC reduces future support based on rules outlined by the public notice. The HC program risk assessment did not consider the risk that periodic audits will not prevent IPs from reimbursing carriers who have incorrectly self-reported. Further, USAC did not consider the risks that carriers may submit false support claims.

The Enterprise Risk Management (ERM) framework provided by USAC did include the risk impact, likelihood, and risk score for one identified risk to the HC program. However, the assessment only identified this one risk from March 2019. The auditor determined that the identified risk was not the only instance and that the HC program should list all of the potential

risks and apply the scoring and risk factor weighting required by OMB to all these risks. Lastly, the FCC and USAC did not have a tolerable rate methodology to determine if risks are unavoidable or if controls to mitigate risk would be cost-prohibitive.

Consideration of Beneficiary Audit Findings

The auditors noted that USAC's risk assessment considered findings from the Government Accountability Office (GAO), FCC Office of Inspector General (OIG), Improper Payment Audits, Beneficiary and Contributor Audit Program (BCAP), Payment Quality Assurance (PQA) reviews, and other internal reviews. As noted in our finding, while USAC did consider findings and documented mitigating strategies for each finding, the USF-HC risk assessment did not identify the specific risks of the program due to the finding. Specifically, USAC's risk assessment noted that the BCAP Audits identified quantitative information related to the BCAP findings. USAC noted that both the Fiscal Year (FY) 2018 and FY 2019 BCAP audits had findings that beneficiaries reported assets, expenses, and/or liabilities incorrectly. The risk assessment did not identify that a specific risk of Legacy Rate-of Return Cost Companies was that beneficiaries may underreport or incorrectly report financial information provided as support. Further, USAC did not develop mitigating strategies to address the issue.

Assessment of Susceptibility to Improper Payments

In the FY 2021 HC program risk assessment, USAC identified that the PQA reviews had low IP rates and amounts and noted that the estimated IP rates and amounts were under the statutory thresholds. However, the PY findings indicated that due to deficiencies noted, USAC's Sampling and Estimation Methodology Plans (S&EMP) did not accurately reflect the true IP rate and amount for the HCF. Therefore, although USAC included the results from the PQA reviews in the risk assessment, the auditors note that the results did not accurately reflect the true risks of IPs that would be identified through PQA testing.

In light of these facts, our finding remains.

Finding 6: FCC's response states that they partially agree with our ***Finding 6: USF Lifeline Overpayment Amount Identified As An Improper Payment Is Inaccurate.*** However, FCC's response does not detail any specific areas where they asserted our finding was inaccurate. Our finding and recommendations were based on audit follow-up from the FY 2019 IPERIA audit report. In the FY 2019 report, the prior auditors noted that FCC had not reported complete and accurate improper payment amounts for the Lifeline program. Kearney continues to report that FCC has not accurately reported \$30 million of the \$205 million in the agency's payment integrity act reporting. As such, our finding remains.

APPENDIX D – ABBREVIATIONS AND ACRONYMS

Acronym	Definition
AAD	Audit Assurance Division
Act	Communication Act of 1934
AEE	Adak Eagle Enterprises
AFR	Agency Financial Report
AVP	Alternative Verification Procedure
BCAP	Beneficiary and Contributor Audit Program
CAF-BLS	Connect America Fund-Broadband Loop Support
CAF-ICC	Connect America Fund-Intercarrier Compensation
CAP	Corrective Action Plan
CARES ACT	The Coronavirus Aid, Relief, and Economic Security Act
CCPP	Connected Care Pilot Program
CGB	Consumer and Governmental Affairs Bureaus
CFR	Code of Federal Regulations
COVID-19	Coronavirus Disease 2019
EBBP	Emergency Broadband Benefit Program
ECF	Emergency Connectivity Fund
EPC	E-Rate Productivity Center
ERM	Enterprise Risk Management
ETC	Eligible Telecommunications Carrier
FCC	Federal Communications Commission
FY	Fiscal Year
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office
HC	High Cost Program
HCF	Hight Cost Fund
HCLS	High Cost Loop Support
ICLS	Interstate Common Line Support
IP	Improper Payment
IPA	Independent Public Accountant
IPERIA	Improper Payment Elimination and Recovery Improvement Act of 2012
IPR	Improper Payment Rate
Kearney	Kearney & Company, P.C.
MVPD	Multichannel Video Programming Distributors
NANP	North American Numbering Plan
NDBEDP	National Deaf Blind Equipment Distribution Program
NECA	National Exchange Carrier Association
NLAD	National Lifeline Accountability Database
NV	National Verifier
OIG	Office of Inspector General

Acronym	Definition
OMB	Office of Management and Budget
OMD	Office of the Managing Director
PIIA	Payment Integrity Information Act
PL	Public Law
PQA	Payment Quality Assurance
RFP	Request for Proposal
RHC	Rural Health Care
RL	Rolka Loube, LLC
S&EMP	Sampling and Estimation Methodology Plan
S&L	Schools and Libraries Program
Spectrum Act	Spectrum Act of 2012
SVS	Safety Valve Support
TAS	Treasury Accounting Symbol
Telecommunications Act	Telecommunications Act of 1996
Treasury	Department of the Treasury
TRS	Telecommunications Relay Service
TVBRF	TV Broadcaster Relocation Fund
UP	Unknown Payment
USAC	Universal Service Administrative Company
USF	Universal Service Fund
USF-LL	Universal Service Fund-Lifeline
USF-HC	Universal Service Fund – High Cost Program
USF-RHC	Universal Service Fund-Rural Health Care

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