
**Federal Communications Commission
Office of Inspector General**



**Semiannual Report to Congress
October 1, 2020 — March 31, 2021**

THE FEDERAL COMMUNICATIONS COMMISSION



Left to Right

Acting Chairwoman Jessica Rosenworcel,
Commissioner Brendan Carr, Commissioner Geoffrey Starks,
Commissioner Nathan Simington

COVER MEMORANDUM

DATE: May 7, 2021

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

FROM Inspector General

SUBJECT Semiannual Report to Congress

In accordance with Section 5 of the Inspector General Act, as amended, 5 U.S.C. App. 3 § 5, I have attached my report summarizing the activities and accomplishments of the Office of the Inspector General (OIG) during the six-month period ending March 31, 2021. In accordance with Section 5(b) of that Act, it would be appreciated if this report, along with any associated report that you may prepare, be forwarded to the appropriate Congressional oversight committees within 30 days of your receipt of this report.

This report describes both audits and investigations that have been completed during the preceding six months, as well as those in process. Where appropriate, reports of completed audits and investigations have been forwarded to the Commission's management for action.

This office remains committed to maintaining the highest possible standards of professionalism and quality in its audits, investigations, inspections and consultations. We welcome any comments, suggestions or questions you may have.



David L. Hunt
Inspector General

Enclosure

TABLE OF CONTENTS

| | |
|--|----|
| <u>INTRODUCTION</u> | 3 |
| <u>OFFICE OF MANAGEMENT</u> | 4 |
| <u>Office Staffing</u> | 4 |
| <u>Process Improvement</u> | 4 |
| <u>Legislative and Policy Matters</u> | 5 |
| <u>OFFICE OF INVESTIGATION</u> | 6 |
| <u>Activity During This Period</u> | 7 |
| <u>Significant Activities</u> | 8 |
| <u>Office of Inspector General Hotline</u> | 20 |
| <u>OFFICE OF AUDIT</u> | 22 |
| <u>Operations, Financial, and Information Technology Division</u> | 22 |
| <u>Completed OFID Audits and Other Projects</u> | 22 |
| <u>OFID In-Process Audits and Other Projects</u> | 24 |
| <u>Universal Service Fund Division</u> | 25 |
| <u>Completed OFID Audits and Other Projects</u> | 25 |
| <u>USFD In-Process Audits and Other Projects</u> | 26 |
| <u>REPORTING REQUIREMENTS</u> | 27 |
| <u>TABLE 1</u> | |
| <u>Questioned and Unsupported Costs, and Funds Put to Better Use</u> | 33 |
| <u>APPENDIX A (Peer Review Results)</u> | 34 |
| <u>APPENDIX B (Report Issued in Prior Period)</u> | 36 |

INTRODUCTION

The Federal Communications Commission (FCC or the Commission) is an independent regulatory agency, established by Congress to regulate interstate and foreign communications by radio, television, wire, satellite and cable. The FCC's jurisdiction covers the fifty states, the District of Columbia, the Commonwealth of Puerto Rico and all U.S. territories.

The Federal Communications Commission is composed of five (5) members who are appointed by the President and subject to confirmation by the Senate. Normally, one Commissioner is appointed or reappointed each year, for a term of five (5) years. One of the members of the Commission is designated by the President to serve as Chairman, or chief executive officer, of the Commission. Jessica Rosenworcel currently serves as the Acting Chairwoman. Brendan Carr, Geoffrey Starks and Nathan Simington currently serve as Commissioners. Most of the FCC's employees will be located in Washington, D.C. at 45 L Street, NE once the move to new FCC headquarters, currently in progress, is completed. Field offices and resident agents are located throughout the United States.

The Office of Inspector General (OIG) is dedicated to ensuring compliance with the requirements of the Inspector General Act of 1978, 5 U.S.C. App., as amended (IG Act), and assisting the Commission in its continuing efforts to improve operational and program effectiveness and efficiency. Management matters are coordinated with the Chairman's office. In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the Inspector General (IG), David L. Hunt, reports directly to the full Commission. The principal assistants to the Inspector General are Assistant Inspectors General (AIG) and they are:

Johnny Drake, AIG for Management

Sharon R. Diskin, AIG for Investigations and Counsel to the IG

Robert McGriff, AIG for Audit

In this semiannual report, we discuss both the major accomplishments and activities of OIG from October 1, 2020 through March 31, 2021, as well as its goals and future plans.

OFFICE OF MANAGEMENT

Office Staffing

Currently our office consists of 48 experienced administrative and professional staff including auditors, investigators, investigative attorneys, paralegals, administrative management specialists, an IT specialist, a computer forensic investigator, a budget officer, a data analyst, and program and management analyst. Due to retirements and routine staff turnover, we have initiated a recruiting process, with an emphasis on more junior positions. This will help the office budgetarily, allow us to grow from within, and provide newer hires the benefit of the depth of our staff's knowledge and experience. Further, this approach will help to ensure our staff has a career path to follow.

Training and education are important mission objectives to ensure we continue increasing the expertise of all staff and to satisfy the training requirements mandated by various professional organizations. To that end, staff attended and completed courses sponsored by government agencies, including the Government Accountability Office, Council of Inspectors General on Integrity and Efficiency (CIGIE), and the Federal Law Enforcement Training Center; and professional organizations, such as the American Institute of Certified Public Accountants, Institute of Internal Auditors, Association of Governmental Accountants, Association of Certified Fraud Examiners, Information Systems Audit and Control Association, Management Concepts, and the National Defense University.

Process Improvement

In these challenging times, brought about by the COVID-19 pandemic, processes across the board within OIG have changed dramatically. Because all staff have been working remotely full-time for over a year, we have implemented new technological solutions to facilitate remote meetings, investigations, audits, an external peer review of another OIG, staff recruitment and hiring, data reporting, and overall office management in a remote environment. Procedural changes, coupled with the logistics associated with the FCC's relocation to a new facility, have presented significant challenges. While we have successfully met these challenges, there were lessons learned and adjustments required. Throughout, the staff exhibited professionalism, dedication and commitment to the agency's mission and to serving the public interest.

Legislative and Policy Matters

Pursuant to section 4(a)(2) of the IG Act, OIG monitors and reviews existing and proposed legislation and regulatory proposals for their potential impact on OIG and the FCC's programs and operations. We perform this activity to evaluate legislative potential for encouraging economy and efficiency, while helping to reduce fraud, waste, abuse, and mismanagement.

Further, during the reporting period, we continued to share updated recommendations to prevent and detect fraud, waste, and abuse in Universal Service programs with Commission and Universal Service Administrative Company (USAC) staff. *See infra* pp. 10-14.

As a result of the COVID-19 pandemic, Congress enacted several statutes directly impacting the FCC's subsidy programs. Tasked with supporting efforts to prevent and detect fraud, waste, abuse, and mismanagement and to mitigate major risks that cut across program and agency boundaries, OIG is committed to promoting transparency and conducting aggressive oversight of the more than \$10 billion in FCC pandemic response funding included in the American Rescue Plan Act (ARPA), the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and other pandemic response legislation to ensure taxpayer dollars are used effectively and for their intended purposes in response to this public health and economic crisis.

We have been actively involved in monitoring the Commission's activities in furtherance of these statutes and, as discussed *infra*, we have worked with the agency to ensure that any new regulations implementing the programs guard against fraud, waste and abuse.

OFFICE OF INVESTIGATION

OIG Office of Investigation (OI) covers a wide range of topics touching on myriad aspects of the FCC's mission and programs. Most significantly, our investigations often address allegations of criminal misconduct or civil fraud in the Commission's Universal Service and Telecommunications Relay programs. We deal with complex investigations, large criminal conspiracies, and matters involving complex financial transactions throughout the United States and its territories. These difficult and wide-ranging cases often require substantial investigative expertise and resources, including personnel on the ground across several states, or high-grade forensic tools and the expertise to use them. In these cases, we have always received, and are grateful for, the assistance of other agencies, especially the Offices of Inspector General of other federal agencies, the Department of Justice (DOJ) and the Federal Bureau of Investigation (FBI).

OI receives and investigates complaints regarding the manner in which the FCC executes its programs, how it handles its operations administratively, and how the FCC conducts its oversight responsibilities. Allegations come from a variety of sources including FCC managers and employees, contractors, program stakeholders, Congress and the public at large. Whistleblower requests for anonymity are honored, except when identification is needed for law enforcement purposes. Allegations may also be referred by OIG auditors.

In addition to investigations regarding Commission programs, OI investigates allegations of improper employee and contractor activity implicating federal statutes or regulations establishing standards of conduct and procedure. While we have made recent additions to our staff, OI, like most government offices, has an ever-increasing volume of work and limited resources. Thus, matters having the potential to significantly impact federal funds, important FCC missions or programs, or the basic integrity and workings of the agency receive the highest priority for investigation and assignment of resources.

Statutory Law Enforcement Authority

The Inspector General Act of 1978, 5 U.S.C. app. 3, established criminal investigative jurisdiction for the offices of presidentially appointed Inspectors General. The enforcement powers and responsibilities of presidentially appointed Inspectors General were enhanced to provide firearms, arrest, and search warrant authorities to investigators with the enactment of section 812 of the Homeland Security Act of 2002.

Pursuant to the guidelines, OI planned to send two investigative attorneys to the Basic Criminal Investigator Training Program, however the course was cancelled as a result of the COVID-19 pandemic. OI intends to arrange for this training later this year. Subsequently, and after ensuring compliance with the IG Act and the Attorney General’s guidelines, OI plans to utilize its statutory law enforcement authority to further its already robust work in the prevention and deterrence of fraud, waste, and abuse of FCC programs.

Activity During This Period

| | |
|--|----|
| Cases pending as of October 1, 2020..... | 51 |
| New Cases..... | 3 |
| Cases Closed..... | 7 |
| Cases pending as of March 31, 2021..... | 47 |

These numbers do not include preliminary reviews of allegations, from the Hotline or other sources, or matters involving minimal analysis of the allegations or evidence.

Significant Activities

Several of the Office’s significant activities are described below. However, we discuss investigations only when and if information may be made public without negative impact on law enforcement activities, including criminal prosecutions, and without divulging investigative techniques. Thus, many matters could not be considered for inclusion in this summary. During this reporting period, we have been working on numerous investigations upon which we cannot report, including matters before a Grand Jury and sealed qui tams.

Investigations into Fraud in the Federal Universal Service Program

The Universal Service Fund (USF), administered by USAC on behalf of the FCC, provides support through four programs: High Cost, Schools and Libraries, Lifeline, and Rural Healthcare.

The *High Cost Program*, which is being reformed and transitioning to the Connect America Fund (CAF), provides support to certain qualifying telecommunications carriers serving high-cost (primarily rural) areas. Telecommunications carriers receiving High Cost support must offer services to rural area consumers at rates reasonably comparable to the rates for services offered in urban areas. The CAF is designed to transition the program away from providing voice-only telephone service to providing multi-purpose networks capable of offering broadband Internet access. Disbursements for the High Cost Program, including legacy High Cost Program support, totaled \$5.1 billion in calendar year 2020.

The *Schools and Libraries Program*, also known as “E-rate,” provides support to eligible schools and libraries in every U.S. state and territory to help fund telecommunication services, Internet access, and internal connections. In E-rate funding year 2020, USAC received over 38,200 applications from schools and libraries seeking over \$2.91 billion in E-rate support to over 125,000 schools and libraries. In calendar year 2020, USAC disbursed over \$2 billion in E-rate support.¹

¹ OIG relies upon USAC’s annual reports for the statistics regarding number of schools served. USAC changed its reporting in its 2017 Annual Report to report calendar year statistics versus E-rate Funding Year statistics.

The *Lifeline Program* provides support to eligible telecommunications carriers that, in turn, offer discounts on telecommunications services to eligible consumers. In 2020, Lifeline support was approved for over 7.1 million subscribers and disbursements totaled more than \$850 million.

The *Rural Health Care (RHC) Program* provides support to eligible rural health care providers that qualify for reduced rates for telecommunications and broadband services. This support subsidizes their access to these services, making telehealth services affordable in rural areas. Demand for Rural Health Care Program funding has risen over the past three years. In March 2020, the FCC increased the funding cap for FY 2020 to \$604.76 million. Additionally, in June 2020, the FCC announced unused funds from prior years would be carried forward, resulting in \$802.74 million in total available to eligible health care providers in FY 2020.

OIG is also responsible for oversight of USF receipts collected from telecommunications providers offering international and interstate telecommunications services. Those telecommunications providers are collectively referred to as *contributors*. Over 3,500 contributors submitted total contributions of approximately \$7.9 billion in 2020.

The bulk of OI's work involves investigating and supporting civil and criminal investigations and prosecutions of fraud in the FCC's federal universal service programs. The Assistant Inspector General for Investigation (AIGI) and investigations staff routinely work with other state, local and federal agencies on these matters. These coordinated investigatory and prosecutorial efforts, especially those involving DOJ, the Department of Education and its OIG, and various U.S. Attorneys, have resulted in many successes, including civil settlements and criminal convictions.

Most of our ongoing universal service investigations are not known to the public and even some closed investigations cannot be disclosed because of sensitivities that could impact related ongoing matters. Specifically, the OI is engaged in multiple, ongoing, large-scale investigations involving the High Cost, E-rate and Lifeline Programs, as well as Qui Tams under seal, seeking damages pursuant to the Federal False Claims Act (FCA). We hope to share details about these matters in the near future. We have, however, begun to disseminate information that can be made publicly available more widely, with the expectation that details of our work will serve as a deterrence against future fraud. In addition to posting news releases on the FCC OIG's webpage, in response to OI's request, USAC has also been posting OI headlines, such as press releases and other significant items, to USAC's website.

Highlighted below are a few matters that have had public developments during the reporting period:

Lifeline Program

OIG Concerns Regarding Statements in GAO’s Lifeline National Verifier Report

As reported in our October 2019-March 2020 Semi-Annual Report (SAR), the Commission issued an Enforcement Advisory on December 9, 2019, to warn eligible telecommunications carriers (ETC) they remain responsible for seeking subsidies only for eligible low-income consumers. The Advisory was clear the National Verifier does not provide a safe harbor or relieve ETCs of their fundamental obligation to ensure subscriber eligibility. The Commission issued the Advisory to clarify its vague and confusing “responsibility-shifting” messaging as found in the 2016 Lifeline Reform Order and in other Commission and USAC statements. The Enforcement Advisory was in accord with previous Commission guidance, particularly ETC enrollment obligations under 47 CFR § 54.410 (a) and the Commission’s June 2017 Public Notice.

On January 28, 2021, GAO published its report “FCC Has Implemented the Lifeline National Verifier but Should Improve Consumer Awareness and Experience” (GAO-21-235). In the report, GAO states “the Verifier shifts responsibility for eligibility verification from carriers to USAC....” (See GAO Report, p. 8). As part of the report, GAO also published the Commission’s January 13, 2021, comments on GAO’s findings. The Commission stated, among other things, that “historically, Lifeline providers were responsible for verifying the eligibility for potential Lifeline subscribers applying for the program. As the National Verifier was rolled out, however, USAC generally took on this responsibility.” (See GAO Report, Appendix IV p. 82).

OI is concerned the Commission failed to qualify GAO’s statement regarding the “responsibility-shifting” effect of the Verifier’s implementation and then repeated the statement in its response. In a February 4, 2021 memo, OI recommended the Commission correct these misstatements and request GAO issue an addendum to clarify the carrier’s subscriber eligibility verification responsibilities. This action has not yet been taken.

Improper Payment Recovery Recommendation

OI's investigation of a carrier providing Lifeline service in California determined the carrier sought reimbursement for providing Lifeline service to 3,315 duplicate accounts from August 2015 through September 2016. OI determined the carrier sought \$108,466 in USF reimbursement for these duplicate accounts. An ETC cannot activate Lifeline service for a subscriber until the carrier has confirmed that it will not be providing two or more Lifeline services concurrently to a single subscriber. Notwithstanding the development of the National Lifeline Accountability Database (NLAD) by USAC, or its opt-out state counterparts, ETCs remain responsible for ensuring their submissions for Lifeline support are accurate and their subscribers are eligible. We have referred our findings to USAC and other Commission stakeholders to complete recovery.

Representative Accountability Database Watchlists

ETCs frequently subcontract the enrollment of new Lifeline subscribers to marketing companies who employ agents to enroll new subscribers. OI investigations have determined repeatedly that these ETC agents are the biggest source of program enrollment fraud. In November 2020, OI sent USAC two "watchlists" containing the names of agents who our investigations show engaged either in enrollment fraud or other highly suspicious enrollment activity. We recommended that USAC use these two watchlists in conjunction with the Representative Accountability Database (RAD) to reduce fraud and abuse in the Lifeline program.

RAD is a registration system maintained by USAC to validate the identities of service provider employees and agents who are involved in Lifeline program enrollments and other related transactions, and to assign identifiers used to track their interactions with the National Verifier and NLAD. The FCC implemented the RAD in response to our and other Commission stakeholder findings concerning fraudulent agent conduct. When use of the RAD became mandatory for ETCs and agents in May 2020, OI sought to further leverage our investigative findings to detect and prevent fraud by providing the names of these agents who have caused millions of dollars in USF losses to USAC.

The first watchlist OIG sent USAC included 25 agents who our investigations show engaged in egregiously fraudulent enrollment conduct. These agents enrolled thousands of deceased individuals, repeatedly used fabricated identification and eligibility documentation, and other

widespread enrollment fraud. OIG recommended that USAC permanently “lockout” any of these agents already registered in RAD and establish a system for locking out any who subsequently register with RAD. Agents who are locked out cannot access any of USAC’s Lifeline databases, including the National Verifier and NLAD.

The second watchlist OIG compiled is a more extensive list of over 600 agents who our investigations show have engaged in other highly suspicious enrollment activity. OIG recommended that USAC apply heightened scrutiny, including manual review, to any enrollments made by these agents. Specifically, we recommended that USAC audit past and future enrollments made by any of these agents, establish a system for flagging other agents if they register in RAD and lock out any agents who engage in enrollment abuse. In December 2020, USAC began locking out agents, including agents identified by our office, based on its review of applications submitted the National Verifier. USAC continues to finalize its agent lockout procedures, and we will update USAC’s progress in a future report.

ETC Compliance Plan Amendments

In 2020, two Lifeline carriers amended their compliance plans to change several operating procedures related to fraud, waste and abuse without seeking Commission approval. In fact, the carriers asserted the changes did not require Commission approval because they were not “material.” OI is concerned this new and troubling practice of attempting to avoid required approval may undermine the Commission’s efforts to prevent fraud, waste and abuse in the program.

Generally, to receive federal universal service support, a carrier must provide the eligible services using their own facilities, or a combination of their own and resold facilities. However, since 2012, the Commission waived that requirement for carriers claiming Lifeline funding if they file a compliance plan that is approved by the Wireline Competition Bureau’s (WCB). Nearly all ETCs making Lifeline claims now rely on that waiver. Each carrier’s compliance plan must provide specific information regarding the carrier’s service offerings and outline the measures the carrier will take to implement the obligations contained in the 2012 Lifeline Order as well as further safeguards against waste, fraud and abuse WCB may deem necessary.

One carrier noted it “may no longer conduct background checks on employees who perform transactions using NLAD and the National Verifier due to the introduction of the RAD.”

However, the RAD was established by the Commission in 2019 and implemented in May 2020 to ensure accountability by individual enrollment representatives, prompt ETCs to crack down on improper behavior before it happens and thereby prevent waste, fraud and abuse in the Lifeline program. RAD achieves this by registering and tracking agent enrollment activity. Whatever the merits of conducting background investigations of new agents, which the carrier obviously thought important enough to include in its initial compliance plan, the RAD does not perform an equivalent function.

Similarly, the procedures changed by the other ETC also impact the prevention of fraud, waste and abuse. Since 2012, the Commission’s policy has been to prevent Lifeline support to a consumer who does not use the service at all. This activation rule permits an ETC providing free service to an eligible subscriber to request reimbursement only after “the subscriber activates the service by whatever means specified by the carrier.” The carrier’s initial, WCB-approved compliance plan stated that a subscriber would not be activated until the subscriber dialed a dedicated number of the carrier on their handset. However, the ETC’s 2020 filing defines activation considerably broader and may include processes which may fail to meet the Commission’s goal of preventing the support of unused service. ETCs should seek WCB approval before implementing changes to such essential processes. The prevention of fraud, waste and abuse prevention is best accomplished by ensuring compliance plan revisions are approved by WCB before they become effective.

We first advised WCB of our concerns in September 2020. While we understand the matter remains under discussion, no further action has been taken.

OIG Recommendations Regarding the Emergency Broadband Benefit Program

On December 27, 2020, the President signed the Consolidated Appropriations Act, 2021 (the Act). The Act establishes an Emergency Broadband Connectivity Fund of \$3.2 billion and directs the FCC to use that fund to establish an Emergency Broadband Benefit (EBB) program, under which eligible households may receive a discount off the cost of broadband service and certain connected devices during an emergency period relating to the COVID-19 pandemic, and participating providers can receive a reimbursement for such discounts.

The EBB program is largely based on the USF Low Income (Lifeline) program. OIG has extensive experience investigating and seeking prosecutions of fraud in the Lifeline program. At

the very outset, in its January 4, 2021, Public Notice seeking comment on the EBB program, WCB proposed to adopt a number of the safeguards OIG previously recommended to reduce fraud, waste, and abuse in the Lifeline program, including the use of the RAD, and other NLAD, Verifier, and Lifeline Claims System processes.

Based on our extensive investigative experience, OIG subsequently made a number of recommendations to WCB regarding additional ways to further reduce fraud in the EBB program. Significantly, the following recommendations were adopted:

- Provider certifications required during the application/election and reimbursement processes
- Information required of providers who propose to use an alternative verification process
- Provider obligations to disclose noncompliant conduct and refund improperly received funds
- Data collection and record retention requirements, including a six-year retention requirement.

Given the urgency of this emergency program, however, WCB declined to adopt several important OIG recommendations that are critical to program integrity. If the EBB program is extended, our office will continue to urge the Commission and other stakeholders, including Congress, to reconsider the following OIG recommendations:

- Prohibiting Incentive Compensation for Program Enrollment: OIG investigations have repeatedly demonstrated that ETC agent enrollment of subscribers is the biggest source of fraud in the Lifeline program. So long as the Commission allows providers to pay commission-based compensation to agents, agents will attempt to enroll as many individuals – eligible or not – into the program as quickly as possible. The payment of incentive compensation to agents is responsible for the worst fraud seen in the Lifeline program, including the intentional enrollment of duplicate accounts, deceased individuals and other egregious conduct.
- Subscriber Usage Reporting: Providers routinely collect information on customer usage, and the Commission should require EBB providers to furnish information about the broadband service paid for by the federal government. The Commission’s current usage requirement for the EBB program, that the provider certify that the subscriber used the

broadband service once during a month – is inadequate, at the very least. Measurable broadband usage may be prompted by an app running background updates without any overt action taken by the subscriber. A more serious concern is that the provider independently will take steps to create measurable usage without action of the subscriber. Our recommendation would deter fraud, waste, and abuse. At minimum, the rules should explicitly require providers to keep monthly usage records to support their reimbursement requests.

As noted above, OIG will continue to advocate for the adoption of these recommendations for as long as the EBB program or other similar programs continue.

E-Rate Program

Ongoing E-rate Investigations

OI's E-rate Investigations team continues its work on ongoing investigations of E-rate service providers, recipients and consultants. OI has continued to open new investigations and has been assisting DOJ and United States Attorney's Offices around the country to pursue civil and criminal fraud cases in the E-rate program. We note however, that our work this year was hampered by the school-closing resulting from the COVID 19 pandemic.

Concept Schools

In October 2020, the FCC and DOJ entered into a \$4.5 million civil settlement with Concept Schools, NFP, to resolve allegations that Concept Schools violated the False Claims Act by engaging in non-competitive bidding practices. The United States alleged that Concept Schools, a charter school management company located in Des Plaines, Illinois, rigged the bidding for E-rate contracts between 2009 and 2012 in favor of its chosen technology vendors so that its network of charter schools located in several states, including Illinois, Ohio, and Indiana, selected the chosen vendors without a meaningful, fair and open bidding process. Additionally, the government alleged that Concept Schools' chosen vendors provided equipment at higher prices than those approved by the FCC for equipment with the same functionality. The government also contended that Concept Schools failed to maintain sufficient control over equipment reimbursed by the FCC, some of which was discovered missing. Contemporaneous with the civil settlement, Concept Schools agreed to enter into a corporate compliance plan with the FCC. FCC-OIG worked on this investigation with the U.S. Department of Education OIG, the FBI and the Civil Division's Commercial Litigation Branch.

Bradley Academy

In February 2020, OI learned Daniel Hughes, CEO and president of Bradley Academy of Excellence, previously pled guilty in Maricopa County Superior Court in Arizona to participating in a scheme to inflate enrollment at Bradley Academy. OI subsequently reviewed and analyzed Bradley Academy's participation in the E-rate Program and identified a relationship in violation of the program's fair and open competitive bidding requirements between Bradley Academy and Poplar Tec. On March 12, 2021, Daniel Hughes was sentenced to 4 years imprisonment and ordered to pay \$2.5 million to the state of Arizona and \$71,705 to the FCC in restitution.

Referrals to Enforcement Bureau and USAC

In November 2020, OI referred five separate vendors suspected of potentially committing E-rate fraud to the Enforcement Bureau and USAC for possible enforcement action. OI's data analytics team identified the referred matters using various factors indicative of problematic behavior. OI subsequently reviewed the matters and confirmed the problematic behavior occurred. OI, however, declined to pursue the matters because each matter was lacking in factors that would warrant prosecutorial interest.

New York Based Service Providers, Consultants and School Officials

The sentencings of Peretz Klein, Susan Klein, Ben Klein, Sholem Steinberg, Simon Goldbrener, Mosche Schwartz, and Aron Melber originally scheduled for May and June 2020 were adjourned when the federal Courthouse closed. A new date has not yet been scheduled.

Former Kentucky Based Vendors

The trial of Charles A. "Chuck" Jones in Memphis, TN on wire fraud and conspiracy charges has been rescheduled for November 1, 2021. The sentencing of Mark J. Whitaker of Murray, Kentucky, is rescheduled to a later date. Whitaker pled guilty in federal court in Memphis, TN in February 2020 to concealing a decade-long E-rate program wire fraud scheme (18 U.S.C. § 4) and admitted to actively concealing a scheme by his co-defendant, Jones, to defraud the E-rate program.

AutoExec Computer Systems, Inc.

In December 2019, John Comito, the CEO of Staten Island-based AutoExec Computer Systems, Inc., was arrested after being charged with mail and wire fraud. In September 2020, Comito pled guilty to knowingly and intentionally committing wire fraud by submitting a fraudulent E-rate invoice to USAC. His sentencing is currently scheduled for April 7, 2021. When sentenced, Mr. Comito faces a maximum term of imprisonment of 20 years, a maximum fine of the greater of \$250,000 or twice the gross gain, and mandatory restitution to each victim of the fraud.

Creation of an Online Competitive Bid Repository within EPC

OI is aware of a Notice of Proposed Rulemaking the Commission has drafted to establish a competitive bid repository within EPC, as previously requested by OIG. OI will continue to monitor FCC and USAC efforts to create a competitive bidding portal for the E-rate program and offer suggestions where appropriate.

Suspension and Debarment Recommendation

As noted in previous SARs, OI has been tracking Commission efforts to expand the Commission's suspension and debarment criteria to cover additional circumstances not yet addressed. Currently, suspension and debarment actions at the Commission are extremely limited and only occur in instances where a criminal conviction or civil judgment arising out of activities associated with or related to the USF has occurred. The limited nature of this criteria hampers both OI and the Commission's efforts to protect the USF from non-responsible persons and entities.

The Commission issued a "Modernizing Suspension and Debarment Rules" Notice of Proposed Rulemaking in November 2019 and the Notice was published in the Federal Register on January 14, 2020. The Commission collected comments and reply comments on its proposed Suspension and Debarment rules through March 16, 2020. As requested by the Commission, in September 2020, OI provided additional information to the Commission following the close of the comment period. However, OI is unaware of any further progress on the proposed Suspension and Debarment rules since that time.

As noted in the last reporting periods, on April 30, 2019, OI became aware of Commission activity granting multiple appeals filed by two schools in the E-rate Program, seeking additional time to respond to USAC requests for information. Individuals associated with these two schools have either been found guilty of federal program fraud or work for an E-rate consultant who is currently under indictment for E-rate Program fraud. If a robust suspension and debarment program existed at the Commission, it may have prevented these schools from receiving funding from the Program.

Additionally, with new programs at FCC, including for example, the Emergency Broadband Benefit Program, the Commission is unable to take steps to protect itself from non-presently responsible actors who would seek to take advantage of new pandemic relief funding sources. It is imperative that the Commission join much of the rest of the government and adopt robust and effective suspension and debarment rules.

Notification Process for Cancelled FCC Forms 470

As noted in the last reporting period, OI became aware that USAC does not employ a mechanism to notify service providers when an applicant seeks to or has cancelled its FCC Form 470. OI informed the Commission's Wireline Competition Bureau of this recommendation on April 1, 2019 and was informed in December 2019 that FCC staff have started the process of looking into the feasibility of adding a status filed for the FCC Form 470 when it has been cancelled. OI is unaware of Commission progress on this recommendation.

Emergency Connectivity Fund- E-Rate Expansion

On March 11, 2021, the President signed into law the ARPA. Among many other provisions, ARPA allocated \$7.2 billion for the establishment of the Emergency Connectivity Fund (ECF). The legislation referenced the E-rate program and directed the Commission to adopt ECF regulations and USAC to administer the ECF. Additionally, the legislation appropriated \$1 million to the FCC's Office of Inspector General to conduct oversight of the ECF.

OI actively monitored this portion of the legislation and offered suggestions to limit the potential for fraud, waste, and abuse of the funds. While WCB did not contact OIG prior to publishing a public notice, OIG's suggestions were adopted into the notice and OI plans to work with WCB as it moves forward to adopt rules and regulations that would reduce fraud, waste and abuse in the new program. Additionally, OI intends to devote significant resources to ensuring the intended beneficiaries utilize the funds appropriately. And, due to the near doubling of funds OI is responsible for overseeing, OI is considering how additional staffing, including both attorneys and law enforcement officers can best be utilized to further our mission to detect and deter fraud, waste and abuse.

Rural Health Care Program

OI has continued to see an increase of referrals of potential RHC fraud from the RHC program administrator and intends to devote more resources to investigating this program.

COVID-19 Telehealth Program

In December 2020, as part of the Consolidated Appropriations Act, 2021, Congress appropriated \$249.95 million in additional funding (Round 2) for the Commission's Coronavirus Disease 2019 (COVID-19) Telehealth Program. The Commission previously exhausted the initial \$200 million (Round 1) in funding Congress provided to establish the program on July 8, 2020.

Since the implementation of Round 1 of the program, OI has provided recommendations to the Commission to ensure appropriate regulations and safeguards are in place to limit the potential for fraud, waste, and abuse to occur. OI based our recommendations on our investigative experience and the deficiencies OI identified with Round 1 of the program. WCB adopted several of our recommendations regarding the following:

- Expanding the document retention period and the type of documents to be maintained;
- Publishing guidance of eligible and ineligible costs to better guide applicants seeking reimbursement and streamline the reimbursement process; and
- While OIG has not seen the final version, adopting OIG's proposed certifications on applications and invoices (certifications which OIG worked with criminal and civil prosecutors to develop), which will make prosecution of fraud more effective.

OI Data Analytics Efforts

OI's data team continues to proactively pursue potential fraud, waste, and abuse of the Universal Service Fund programs. In addition to the ongoing efforts to identify data indicative of fraudulent behavior in the E-rate, Rural Health Care, and Lifeline programs, OI has also begun efforts to begin examining datasets pertaining to USF contributors. As noted in the previous SAR, the results of our data analysts' work in these areas have led to the opening of new cases in this reporting period and are helping to shape OI's investigative strategies.

Telecommunications Relay Service

During the reporting period, OIG received numerous complaints and concerns related to the increased utilization of Video Relay Services (VRS) for communications taking place over Zoom and other audio/video platforms. Many of the complaints related to the potential abuse of VRS by businesses, healthcare providers and educational institutions. Our office shared many of these concerns with the Commission and encouraged the Consumer and Government Affairs Bureau to reassess its guidance to VRS users and providers in light of advancements in technology and usage.

Internal Affairs

The IG is authorized by the IG Act, as amended, to investigate allegations of fraud, waste and abuse occurring in FCC operations. Matters of possible wrongdoing are referred to OIG in the form of allegations or complaints from a variety of sources, including FCC employees, contractors, other government agencies and the general public. OI investigators are currently engaged in an investigative referral from CIGIE alleging IG misconduct.

Office of Inspector General Hotline

OIG maintains a Hotline to facilitate the reporting of allegations of fraud, waste, abuse, mismanagement or misconduct in FCC programs or operations. Commission employees and concerned citizens may report such allegations to the Hotline at (202) 418-0473 or toll free at (888) 863-2244 or by e-mail at hotline@fcc.gov. OIG's Hotline is available 24 hours a day, seven days a week via a recorded messaging system.

Many of the allegations received by the Hotline raise issues that do not fall within the jurisdiction of the FCC or the OIG, and many do not rise to the level of devoting investigative or audit resources to the claim. Upon receipt of a specific claim of fraud, waste, abuse, or mismanagement, OIG may, where appropriate, take any one of the following actions:

1. Open an OIG investigation or audit.
2. Refer the matter to an FCC Bureau or Office for appropriate review and action.

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3. Refer the allegation to another Federal agency. For example, complaints about fraudulent sweepstakes are referred to Federal Trade Commission (FTC).

Consumers who have general questions, consumer complaints, or issues not related to fraud, waste and abuse, should contact the FCC’s Consumer & Governmental Affairs Bureau (CGB) at www.fcc.gov/cgb, or contact the FCC’s Consumer Center by calling 1-888-CALL-FCC (1-888-225-5322) voice or 1-888-TELL-FCC (1-888-835-5322). CGB develops and implements the Commission’s consumer policies, including disability access. The FCC Consumer Center processes public inquiries, informal complaints, and questions regarding cable, radio, satellite, telephone, television and wireless services. The goal of this process is to foster a mutually satisfactory resolution of the complaint between the service provider and its customer.

During the current reporting period, OIG received:

1. 7095 Hotline contacts. Of these, none were referred to OIG for possible case opening.
2. 53 were referred to FCC Consumer Center or other FCC Bureaus.
3. 961 were referred to other agencies.

OFFICE OF AUDIT

Under the authority of the IG Act of 1978, as amended, the Office of Audit (OA) conducts or contracts for the performance of independent and objective audits, inspections, evaluations and other related projects. These projects are designed to promote economy, effectiveness, and efficiency in FCC programs and operations; and detect and deter waste and abuse. OA projects are conducted in accordance with relevant professional standards, including *Generally Accepted Government Auditing Standards* (also known as Government Auditing Standards or the Yellow Book) and *Council of the Inspectors General on Integrity and Efficiency Quality Standards for Inspection and Evaluation*.

OA is organized into two operating and reporting divisions - the Operations, Financial, and Information Technology Division (OFID), and the Universal Service Fund Division (USFD). Highlights of the work conducted by OA during the current reporting period are provided below.

Operations, Financial, and Information Technology Division

OFID conducts mandatory and discretionary audits, inspections, and evaluations of FCC programs and operations. OFID's mandatory projects include the Financial Statement audit, Federal Information Security Management Act (FISMA) evaluation, Digital Accountability and Transparency Act (DATA Act) compliance audit, Payment Integrity Information Act (PIIA) compliance audit, and a review of risks impacting the Commission's government charge card programs. OA contracts with Independent Public Accountant (IPA) firms for most of the mandatory projects. Discretionary projects may be contracted to IPA firms or performed in-house, depending on available staffing and other resources. OFID provides oversight and monitoring for its contracted audit services.

OFID completed three projects during the reporting period. Four OFID projects are in process and will be summarized in a future reporting period.

Completed OFID Audits and Other Projects

Federal Communication Commission's FY 2020 Consolidated Financial Statement Audit
(Project No. 20-AUD-07-01)

Federal law requires the FCC to prepare annual consolidated financial statements and OIG to audit those statements. Under the oversight of OA, Kearney & Company (Kearney) performed an audit of the FCC’s Fiscal Year (FY) 2020 consolidated financial statements. Kearney’s audit resulted in the issuance of three reports dated November 13, 2020.

In the Independent Auditor’s Report on the Financial Statements, Kearney expressed an unmodified opinion. In the report on Compliance and Other Matters, Kearney did not report any instances of non-compliance. However, in the report on Internal Controls over financial reporting, Kearney reported one significant deficiency related to information technology (IT) controls for FCC and the Universal Service Fund (USF). This finding is a repeat issue from the FY 2019 audit report. The details of the all IT findings and recommendations are included in the FY 2020 FISMA evaluation report. In FY 2020, FCC management fully remediated a prior year USF Budgetary Accounting finding that had been as a significant deficiency in FY 2018 and downgraded to a material weakness in FY 2019. As a result, Kearney closed the prior year USF Budgetary Accounting finding and the associated audit recommendations.

Federal Communications Commission’s Federal Information Security Modernization Act Evaluation (Project No. 20-EVAL-07-01)

The FISMA requires federal agencies, including the FCC, to develop, document, and implement an agency-wide program to provide information security for the information and information systems supporting the agency’s operations and assets. FISMA requires agency IGs to, annually, conduct or contract for an independent evaluation of the agency’s information security program. Kearney & Company, P.C. (Kearney) performed the FY 2020 FISMA evaluation under the oversight of the OIG. Based on the evaluation results, OIG submitted the completed *FY 2020 DHS IG FISMA Metrics* questionnaire, for government-wide reporting to Congress, on October 30, 2020. The OIG issued both the public and non-public versions of the FY 2020 FISMA Evaluation report on December 22, 2020.

Kearney concluded that the FCC’s information security program was ineffective and not in compliance with FISMA legislation, OMB guidance, and applicable NIST Special Publications as of August 2020. Kearney found security deficiencies and instances of noncompliance in four of the eight FISMA IG metric domains. The security deficiencies and instances of noncompliance were grouped into 8 findings and 17 recommendations. Kearney considered the findings in the Identity and Access Management and the Information Security Continuous

Monitoring domains to be high-risk, significant deficiencies. Significant deficiencies require the attention of agency leadership and immediate or near-immediate corrective actions. Of the 17 recommendations issued, 7 are either repeats or updates from prior year FISMA evaluations and 10 address new security deficiencies identified in FY 2020. Management generally concurred with the report findings and recommendations.

Federal Communications Commission's FY 2020 Government Charge Card Risk Assessment (Project No. 20-OASP-06-02)

In accordance with the Public Law 112-194, *Government Charge Card Abuse Prevention Act of 2012*, we completed a risk assessment of the FCC's governmentwide charge card program. The objective of this risk assessment was to identify and analyze risk of illegal, improper, and erroneous uses of government charge cards. While the FCC agencywide charge card program includes travel, purchase, and fleet cards, we limited the scope of our review to the travel and purchase cards because FCC's fleet card spending was immaterial.

We determined that the overall risk related to the FCC charge card program was low. However, we identified one area in which FCC should strengthen its internal controls. We assessed a medium risk rating for the purchase card program's internal controls because a key control, quarterly purchase card reviews, had not been performed for nearly three years. The risk rating could increase from medium to high if the control deficiency is not remediated.

OFID In-Process Audits and Other Projects

Federal Communications Commission's FY 2020 Compliance with the Payment Integrity Information Act of 2019 (Project No. 21-AUD-01-01)

Federal Communication Commission's FY 2021 Consolidated Financial Statement Audit (Project No. 21-AUD-06-01)

Federal Communications Commission's FY 2021 Federal Information Security Modernization Act Evaluation (Project No. 21-EVAL-06-01)

Federal Communication Commission's FY 2021 Compliance with the Digital Accountability and Transparency Act of 2014 (21-AUD-06-02)

Universal Service Fund Division

The USFD conducts audits and inspections of USF program service providers and beneficiaries. USFD is divided into three Directorates: Contributors and Lifeline; High Cost; and E-rate and Rural Healthcare. USFD projects are designed to detect and prevent fraud, waste, and abuse, and promote economy, effectiveness and efficiency of USF programs. USFD performs random and targeted audits and inspections of USF program providers and beneficiaries based on our assessments of program risks. Our risk-based approach helps us identify the most cost-effective audits and conserve our limited resources. USFD communicates with USAC's Internal Audit Division, and shares information such as USF program risks, prior audit results, testing tools, and new USF program developments and initiatives.

One project was completed and four USFD projects were in process at the end of this reporting period. The reports that are in process will be summarized in a future reporting period.

Completed USFC Audits and Other Projects

Performance Audit of Centralia City School District 135 Related to Funding Year 2015 (E-Rate Program) (Report No. 19-AUD-02-02)

OA contracted with an IPA firm to conduct a performance audit of Centralia School District 135. The objectives of the audit were to (1) determine if the District complied with FCC rules and orders applicable to the E-rate program; and (2) report on potential instances of fraud, waste and/or abuse, if applicable. The final report was issued October 14, 2020 and includes two findings that address weaknesses in the District's internal control processes.

The audit found that the District lacked adequate controls over physical asset and inventory records, and the management of equipment purchased with E-rate funds. The auditors made three recommendations to address the audit findings, including a recommendation that USAC, the USF administrator, recover funds in the amount of \$5,060. In addition, the auditors identified an "other matter" (a condition or weakness that does not rise to the threshold of a reportable finding) in which the District failed to comply with state and local competitive bidding requirements. Management concurred with all three recommendations, as well as the "other matter."

In-Process Audits and Other Projects

Audit of Head Start Telecom, Inc. (Lifeline) (Project No. 18-AUD-01-01)

Audit of Spruce Knob Seneca Rocks Telephone Company (High Cost)
(Project No. 18-AUD-08-07)

Audit of Cullman County School District (E-Rate) (Project No. 19-AUD-10-06)

Audit of Colbert County School District (E-Rate) (Project No. 19-AUD-10-07)

REPORTING REQUIREMENTS

The following are OIG’s response to the 22 specific reporting requirements set forth in Section 5(a) of the Inspector General Act of 1978, as amended.

1. A description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of such establishment disclosed by such activities during the reporting period.

Please refer to the sections of this report titled “Office of Audit” and “Office of Investigation.”

2. A description of the recommendations for corrective action made by the Office during the reporting period with respect to significant problems, abuse, or deficiencies identified pursuant to paragraph (1).

Please refer to the sections of this report titled “Office of Audit” and “Office of Investigation.”

3. An identification of each significant recommendation described in previous semiannual reports on which corrective action has not yet been completed.

Information technology (IT) security recommendations represent the most significant recommendations from previous semiannual reports for which corrective actions have not yet been completed. Currently there are 13 open IT security recommendations that were identified in prior FISMA and other IT audits and evaluations. The recommendations identified in prior FISMA evaluations address identity and access management, information security continuous monitoring, risk management, and configuration management.

The annual FISMA evaluation testing shows that the Commission has continued to improve processes within its overall information security program. Recent testing shows improvement in areas of identity and access management, data protection and privacy, and incident response. We consider the FISMA recommendations for improving the FCC’s information security continuous monitoring and identity and access management to be the most significant recommendations. Therefore, FCC needs to focus on corrective actions to resolve open IT security recommendations in those areas.

Except for the public version of the FISMA report, all IT security reports contain sensitive, non-public information regarding the FCC’s information security program and infrastructure. Accordingly, the reports are not released to the public.

Please refer to the E-rate and Lifeline matters, discussed in the section of this report titled “Office of Investigation.”

4. A summary of matters referred to authorities, and the prosecutions and convictions which have resulted.

Please refer to the section of this report titled “Office of Investigation.”

5. A summary of each report made to the head of the establishment under section 6(b)(2) during the reporting period.

No report was made to the Chairman of the FCC under section 6(b)(2) of the Inspector General Act of 1978, as amended, during this reporting period.

6. A listing, subdivided according to subject matter, of each audit report, inspection report, and evaluation report issued by the Office during the reporting period, and for each audit report, where applicable, the total dollar value of questioned costs (including a separate category for the dollar value of unsupported costs) and the dollar value of recommendations that funds be put to better use.

See Table 1 for a summary of audit reports issued during the reporting period that identified questioned costs.

7. A summary of each particularly significant report.

Each significant audit and investigative report issued during the reporting period is summarized within the “Office of Audit” and “Office of Investigations” sections of this report.

8. Statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the total dollar value of questioned costs (including a separate category for the dollar value of unsupported costs), for reports— (A) for which no management decision had been made by the commencement of the reporting period; (B) which were issued during the reporting

period; (C) for which a management decision was made during the reporting period, including— (i) the dollar value of disallowed costs; and (ii) the dollar value of costs not disallowed; and (D) for which no management decision has been made by the end of the reporting period.

See Table 1: Questioned and Unsupported Costs, and Funds Put to Better Use - OIG Audit, Inspection and Evaluation Reports

9. Statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the dollar value of recommendations that funds be put to better use by management, for reports: (A) for which no management decision had been made by the commencement of the reporting period; (B) which were issued during the reporting period; (C) for which a management decision was made during the reporting period, including— (i) the dollar value of recommendations that were agreed to by management; and (ii) the dollar value of recommendations that were not agreed to by management; and (D) for which no management decision has been made by the end of the reporting period.

No report recommendations identifying funds put to better use were open at the commencement of the reporting period and no such recommendations were issued during the reporting period.

10. A summary of each audit report, inspection report, and evaluation report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period: (A) for which no management decision had been made by the end of the reporting period (including the date and title of each such report), an explanation of the reasons why such a management decision has not been made, and a statement concerning the desired timetable for achieving a management decision on each such report; and (B) for which no establishment comment was returned within 60 days of providing the report to establishment; and (C) for which there are any outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations.

See Appendix B: Reports Issued in Prior Periods for Which a Management Decision is Pending as of March 31, 2021

11. A description and explanation of the reasons for any significant revised management decision made during the reporting period.

No management decision falls within this category.

12. Information concerning any significant management decision with which the Inspector General is in disagreement.

No management decision falls within this category.

13. The information described under section 804(b) of the Federal Financial Management Improvement Act of 1996.

No report required by 804(b) of the Federal Financial Management Improvement Act of 1996 was issued during this reporting period.

14. An appendix containing the results of any peer review conducted by another Office of Inspector General. If no peer review was conducted within the reporting period, a statement identifying the date of the last peer review conducted by another Office of Inspector General.

During a prior reporting period, the Small Business Administration (SBA) OIG conducted a peer review of FCC OIG Office of Audit's system of quality control. In the SBA OIG's peer review report, dated October 31, 2019, Office of Audit received a peer review rating of "Pass." See Appendix A of this report for additional information on SBA OIG's peer review of FCC OIG's audit operations.

15. A list of any outstanding recommendations from any peer review conducted by another Office of Inspector General that have not been fully implemented, including a statement describing the status of the implementation and why implementation is not complete.

One recommendation from a prior peer review conducted by another Office of Inspector General remains open or partially implemented. The SBA OIG's peer review report, dated October 31, 2019, recommended that FCC OIG implement key provisions of the Inspector General Empowerment Act of 2016 by: (1) ensuring that audit reports are posted to its website within three days, and (2) posting all previously issued but unposted reports to its website. FCC OIG has made significant progress in timely posting current and previously issued audit reports to the OIG's web page. Because full implementation of SBA's peer review recommendation requires

additional staffing and other resources, the target full implementation date for this recommendation is December 31, 2021.

16. A list of any peer reviews conducted by the Inspector General of another Office of the Inspector General during the reporting period, including a list of any outstanding recommendations made from any previous peer review (including any peer review conducted before the reporting period) that remain outstanding or have not been fully implemented.

The FCC OIG conducted a peer review of the Government Publishing Office, Office of Inspector General's (GPO OIG) audit operations during the reporting period. The peer review report was issued on March 30, 2021 and GPO OIG received a "Pass" rating. The FCC OIG also issued a Letter of Comment with four findings and four recommendations. GPO OIG's management concurred with the findings and recommendations and implemented immediate corrective actions. No recommendations remain open from previous peer reviews conducted by FCC OIG.

17. Statistical tables showing— (A) the total number of investigative reports issued during the reporting period; (B) the total number of persons referred to the Department of Justice for criminal prosecution during the reporting period; (C) the total number of persons referred to State and local prosecuting authorities for criminal prosecution during the reporting period; and (D) the total number of indictments and "criminal information during the reporting period that resulted from any prior referral to prosecuting authorities.

The total number of investigation reports during the reporting period is set out in the Office of Investigation Section. In this reporting period, we referred two individuals to the Department of Justice for criminal prosecution. No person was referred to State or local prosecuting authorities for criminal prosecution, and no indictments or informations were filed during the reporting period.

18. A description of the metrics used for developing the data for the statistical tables under paragraph (17). (Section 5 (a)(17) of the Inspector General Act of 1978, as amended).

The Office of Investigation issues Reports of Investigation to either (1) close an investigation or (2) refer a matter for administrative action or for pursuit of civil or criminal fraud. We do not close a referred matter until it is finally resolved, that is, until action is taken by the Commission in an administrative referral or until the civil or criminal referral is (a) declined or (b) resolved

by the court.

19. A report on each investigation conducted by the Office involving a senior Government employee where allegations of misconduct were substantiated, including a detailed description of: (A) the facts and circumstances of the investigation; and (B) the status and disposition of the matter, including - (i) if the matter was referred to the Department of Justice, the date of the referral; and (ii) if the Department of Justice declined the referral, the date of the declination.

No investigation was conducted by the Office involving a senior Government employee where allegations of misconduct were substantiated.

20. A detailed description of any instance of whistleblower retaliation, including information about the official found to have engaged in retaliation and what, if any, consequences the establishment imposed to hold that official accountable.

No findings of whistleblower retaliation were made during this reporting period.

21. A detailed description of any attempt by the establishment to interfere with the independence of the Office, including: (A) with budget constraints designed to limit the capabilities of the Office; and (B) incidents where the establishment has resisted or objected to oversight activities of the Office or restricted or significantly delayed access to information, including the justification of the establishment for such action.

OIG did not experience any attempt by FCC management to interfere with the independence of the Office.

22. Detailed descriptions of the particular circumstances of each: (A) inspection, evaluation, and audit conducted by the Office that is closed and was not disclosed to the public; and (B) investigation conducted by the Office involving a senior Government employee that is closed and was not disclosed to the public.

No inspection, evaluation, or audit was conducted and closed, and not disclosed to the public.

TABLE 1

| Questioned and Unsupported Costs, and Funds Put to Better Use | | | | |
|--|--------------------------|-------------------------|--------------------------|--------------------------------|
| OIG Audit, Inspection and Evaluation Reports | | | | |
| Status of OIG Audit Reports with Questioned Costs | Number of Reports | Questioned Costs | Unsupported Costs | Funds Put to Better Use |
| A. No management decision has been made by the commencement of the reporting period. | 0 | \$0 | | |
| B. Issued during the reporting period. | 1 | \$5,060 | | |
| C. Management decision made during the reporting period. | | | | |
| Value of disallowed costs. | 1 | \$5,060 | | |
| Value of costs not disallowed. | 0 | \$0 | | |
| D. Management decision not made by the end of the reporting period. | 0 | \$0 | | |

APPENDIX A

Peer Review Results

The Inspector General Act of 1978, as amended, requires Office of Inspectors General (OIGs) to report the results of peer reviews of their operations conducted by other OIGs, including the date of the last peer review, outstanding recommendations from prior peer reviews, and peer reviews of other OIGs in the semiannual period. Peer reviews are conducted by member organizations of CIGIE.

Office of Audit peer review results

On October 31, 2019, the Small Business Administration Office of Inspector General (SBA OIG) issued a report on the results of its peer review of the FCC OIG's system of quality control for its audit operations. The SBA OIG determined that OA's system of quality control in effect for the year ended March 30, 2019 was suitably designed to provide reasonable assurance that OA is performing audits and reporting the audit results in conformity with applicable professional standards in all material respects. OA received a peer review rating of "Pass."

The SBA OIG's peer review letter of comment contained three recommendations that were designed to further strengthen the OA's system of quality control. The OA has completed corrective actions for two of the three recommendations. Corrective actions for one recommendation have been initiated, but they have not been fully implemented. Because completing the corrective actions and closing the outstanding recommendation requires additional resources, including staffing, the target implementation date is December 31, 2021.

Office of Audit Peer Reviews of Other OIGs

On March 29, 2021, the FCC OIG issued a report on the results of its peer review of the Government Publishing Office (GPO) OIG's system of quality control for its audit operations. The FCC OIG determined that GPO OIG's system of quality control in effect for the year ended September 30, 2020 was suitably designed to provide reasonable assurance that it is performing audits and reporting the audit results in conformity with applicable professional standards in all material respects. GPO OIG received a peer review rating of "Pass."

The FCC OIG’s peer review letter of comment contained four recommendations that were designed to further strengthen the GPO OIG’s system of quality control. GPO OIG’s management concurred with the FCC OIG’s peer review findings and recommendations and issued a memo initiating its corrective actions, effective March 1, 2021.

APPENDIX B

Report Issued in Prior Period for Which a Management Decision is Pending

As of March 31, 2021

| Report Number | Audit Title | Report Date | Comments |
|----------------------|--|--------------------|--|
| 15-AUD-10-09 | Audit of National Lifeline Accountability Database | 3/26/2018 | Management did not meet the target date (March 31, 2021) outlined in its corrective action plan and had not demonstrated sufficient progress in implementing two open recommendations. |

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



Report fraud, waste, and abuse to:

Email: Hotline@FCC.gov

Call Hotline: 202-418-0473