
**Federal Communications Commission
Office of Inspector General**



**Semiannual Report to Congress
April 1, 2021 — September 30, 2021**

THE FEDERAL COMMUNICATIONS COMMISSION



Left to Right

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

COVER MEMORANDUM

DATE: November 16, 2021

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

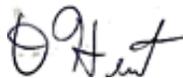
FROM Inspector General

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.

I have been the Inspector General since June of 2009. OIG 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

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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 typically 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 at the FCC's new Headquarters at 45 L Street NE, Washington, DC once the mandatory telework order expires. 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 47 experienced administrative and professional staff including auditors, investigators, investigative attorneys, paralegals, administrative management specialists, program and management analysts, an industry economist, an IT specialist, a computer forensics investigator, a budget officer, a data analyst, and a writer/editor. 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. Toward 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), the National Defense University and the Federal Law Enforcement Training Center; and professional organizations and other training vendors, 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 Graduate School USA.

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, training, 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 as soon as possible. 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 April 1, 2021	47
New Cases.....	5
Cases Closed.....	10
Cases pending as of September 30, 2021.....	42

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.

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

Calculation of USF Losses Resulting from Duplicate Enrollments

As reported in our last SAR, our office sent a memorandum to USAC and other Commission stakeholders to recommend that USAC recover funds an ETC sought in connection with its intra-carrier duplicate enrollments (duplicates). Duplicative support exists when a Lifeline subscriber is receiving two or more Lifeline services concurrently. Prior to making the recommendation, OI conducted an investigation that showed the ETC enrolled and sought Lifeline support on behalf of numerous duplicates.

When receiving an application for Lifeline service, an ETC must check the NLAD database to determine whether an individual at the applicant's address is currently receiving Lifeline-supported service. An ETC must also search its own internal records to ensure it does not already provide Lifeline-supported service to someone at the same residential address. In our September 2020 memo, OIG identified the duplicates enrolled by the ETC and the amount the ETC sought in connection with the duplicates.

Several months later, USAC and the Commission informed OI that while they agreed USAC should recover funds received on behalf of duplicates, USAC's calculations showed the ETC received a smaller amount than OI determined. USAC's method for calculating program losses resulting from duplicates permitted the ETC to collect one Lifeline support per consumer each month while OI's more stringent method permitted the ETC to collect monthly support only when the qualifying Lifeline consumer was validly-enrolled.

Concerned USAC's method was inconsistent with program rules and understated program losses, OI alerted Commission stakeholders. After discussions, the Commission agreed with OI's legal and policy arguments and adopted OI's methodology for calculating losses due to intra-carrier duplicates and shared this guidance with USAC. Adoption of this methodology will deter providers from submitting improper claims in the first instance, and will also ensure that improperly disbursed program funds will be recovered to the fullest extent possible.

Compliance Plan Amendments

As reported in our last SAR, in 2020, two Lifeline carriers amended their compliance plans to modify several operating procedures related to fraud, waste, and abuse without seeking Commission approval. One of the modified procedures concerned the conditions under which a subscriber’s account could be activated. Since 2012, the Commission’s policy has been to prevent Lifeline support to a consumer who does not use the service at all—an ETC is permitted to provide free service to an eligible subscriber and to request Lifeline reimbursement only after “the subscriber activates the service by whatever means specified by the carrier.” Although carriers have broad latitude to implement the means by which subscribers may activate their service, carriers must ensure USAC does not pay for Lifeline service before the service is under the subscriber’s control.

The two carriers asserted the changes, including the activation provision, did not require Commission approval because they were not “material.” We strongly disagree. Moreover, allowing carriers to revise such substantive provisions without Commission approval could undermine the Commission’s efforts to prevent fraud, waste and abuse in the program, and we advised WCB of our concerns accordingly in September 2020.

Since our last semi-annual report, three carriers have submitted compliance plans seeking Commission approval, which among other provisions, contain activation provisions modeled after the two 2020 “advisory” filings which first caused us concern. Each of these compliance plans permit customer activation to occur without the Lifeline service being under the control of the subscriber. We reminded WCB of our continuing concerns. These plans await Commission action, and we understand the matter remains under discussion.

EBB Complaints and Enforcement Advisory

Prior to the EBB program launch, providers began marketing the new program to consumers. By May, when the program launched, our office had already learned of, or received numerous complaints regarding misrepresentations made by at least one large provider. The complaints alleged the provider 1) tied Lifeline service and equipment to EBB participation/service; 2) enrolled subscribers without their knowledge or consent; and 3) told consumers EBB-subsidized equipment was free under the program. OIG was alarmed by the frequency and consistency of these complaints and apprised other Commission stakeholders about the potential consequences of this conduct for program integrity.

In response to these and other concerns from the Commission, on May 11th, the Enforcement Bureau issued an enforcement advisory to remind EBB providers, among other requirements, to obtain the affirmative consent of EBB applicants as a condition of their enrollment, not to couple Lifeline and EBB program requirements or technical conditions of service, and to inform subscribers of their obligation to pay a portion of the cost of a connected device subsidized by the program. OI continues to monitor complaints regarding provider conduct for indicia of fraud, waste and abuse.

E-Rate Program

Ongoing 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 the Justice Department and United States Attorney's Offices around the country to pursue civil and criminal fraud cases in the E-Rate program.

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 February 7, 2022. 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.

Referrals to Enforcement Bureau and USAC

OI continues to track the progress made by the Enforcement Bureau and USAC concerning the various referrals OI provided for possible enforcement action. In August, OI met with the Enforcement Bureau and USAC and provided a detailed explanation concerning the basis for the referrals and the potential threat to the Universal Service Fund. In April, USAC determined at least \$7,103.81 in improper payments were made pertaining to a referred matter. The majority of matters referred to the Enforcement Bureau and USAC are still pending. OI anticipates sending additional referrals to the Enforcement Bureau and USAC during the next month.

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. On April 7, 2021, Comito was sentenced in federal court to 5 years of probation for submitting fraudulent claims for reimbursement from the E-rate fund as well as to multiple Catholic and charter schools for equipment and services that were not provided to the schools. Comito was ordered to pay a \$250,000 fine, \$399,719.56 in restitution to the E-rate program, and \$105,683.10 in restitution to the victim schools. Comito also agreed to pay \$133,239.85 in forfeiture to the U.S. Attorney's Office in the Eastern District of New York.

Creation of an Online Competitive Bid Repository within EPC

OI is aware the Notice of Proposed Rulemaking the Commission drafted to establish a competitive bid repository within EPC is still pending. 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 Semiannual Reports to Congress (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 hamstrings 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. To date, no final order has been adopted.

As noted in the last reporting periods, on April 30, 2019, OI become 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 and the Emergency Connectivity Fund, 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 470.¹ 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.

¹ The Form 470 is used by applicants to describe the services requested. This document is posted publicly and opens the competitive bidding process.

Rural Health Care Program

OI has continued to see an increase in the number of referrals for potential RHC fraud from the RHC program administrator. OI has utilized experienced investigators who are also working on E-rate program fraud matters. Unfortunately, a newly hired investigative attorney who was brought on to assist with the increased case load has left OIG, meaning the now depleted current staff are handling both E-rate and RHC program fraud, in addition to pandemic program fraud. OI is seeking a new investigative attorney to join this team.

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 recently made recommendations for Round 2 of funding in the program; these recommendations are based in part on deficiencies OI identified with Round 1 of the program. Generally, these recommendations were accepted by the Commission and OI continues to track this program.

Emergency Connectivity Fund

OI worked with WCB and USAC during the reporting period to ensure collection of the necessary Emergency Connectivity Fund data that would allow OI to identify potential fraud, waste, and abuse. OI hopes to receive access to the data during the upcoming reporting period. OI intends on devoting significant resources to ensuring the funds are utilized appropriately by the intended beneficiaries.

OI is currently tracking additional legislation which would add \$4 billion to this program (in addition to the \$7 billion already authorized). Given the near doubling of overall funds OI is responsible for overseeing, additional staffing including both attorneys and law enforcement officers would be useful in limiting fraud, waste, and abuse.

OIG Recommendations Regarding the Secure Networks Reimbursement Program

In March 2020, the President signed into law the Secure and Trusted Communications Networks Act of 2019 (the Secure Networks Act), which among other things required the Commission to establish a program to reimburse providers of advanced communications services for the removal, replacement, and disposal of covered communications equipment and services from their networks. That law built upon previous actions by the Commission designating Huawei Technologies Company and ZTE Corporation as “covered companies”, and rules prohibiting the use of Universal Service Fund support to purchase or obtain any equipment or services produced or provided by a covered company.

In December 2020, the Commission adopted the Supply Chain Second Report and Order, enacting rules establishing the Secure Networks Reimbursement Program (SCNP) as required by the Secure Networks Act. A few weeks later, the President signed into law the Consolidated Appropriations Act of 2021 (CAA), including amendments to the Secure Networks Act that, among other things, expanded the reimbursement program eligibility pool to include larger telecom companies. The CAA also appropriated \$1.9 billion to fund the SCNP. In July 2021, the Commission adopted the Supply Chain Third Report and Order to conform the rules for the SCNP to be consistent with the changes made by the CAA, and to flesh out additional details for the program.

In July and August 2021, OIG made recommendations to the Commission’s Wireline Competition Bureau to incorporate robust certification statements for SCNP submissions at all stages of the program to protect against fraud, waste, and abuse. WCB adopted nearly all our recommendations on the certifications, improving the ability of OIG and the Department of Justice to prosecute fraud in this program.

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 completing 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.

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2. Refer the matter to an FCC Bureau or Office for appropriate review and action.
 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. 10309 Hotline contacts. Of these, none were referred to OIG for possible case opening.
2. 63 were referred to FCC Consumer Center or other FCC Bureaus.
3. 804 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 independent and objective audits, inspections, evaluations and other related projects. These projects promote economy, effectiveness, and efficiency in FCC programs and operations, and detect and deter fraud, 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 three divisions: the Operations, Financial, and Information Technology Division (OFID); the Universal Service Fund Division (USFD); and the Policy and Quality Assurance Division (PQAD). OFID and USFD perform audits, evaluations, inspections and other projects. PQAD develops OA policies and procedures, performs internal quality assurance reviews to ensure OA compliance with applicable professional guides and standards, coordinates external peer reviews of the FCC OIG by other OIGs, and leads external peer reviews of other OIGs in accordance with CIGIE guidance. Highlights of the work contracted for and performed by OA during the current reporting period are provided below. Information on external peer reviews is discussed in Appendix A.

Operations, Financial, and Information Technology Division

OFID conducts mandatory and discretionary audits, inspections, and evaluations of FCC programs and operations. OFID's annual mandatory projects include the annual Financial Statement audit, the Federal Information Security Management Act (FISMA) evaluation, and the Payment Integrity Information Act (PIIA) audit. OFID also performs other periodic mandated projects such as the Digital Accountability and Transparency Act (DATA Act) audit, and reviews of the Commission's privacy and data protection initiatives, and the government charge card program.

OA contracts with Independent Public Accountant (IPA) firms for many of the mandatory projects. OFID uses a risk based approach to select discretionary projects and, depending on available staffing and other resources, may perform the projects in-house or contract the projects to IPA firms. OFID provides oversight and monitoring for all contracted services.

OFID completed one project during this reporting period. Five OFID projects are in process and will be summarized in a future reporting period.

Completed OFID Project

FY 2020 Audit of the Federal Communication Commission’s Compliance with the Payment Integrity Information Act of 2019 (Report No. 21-AUD-01-01)

The Payment Integrity Information Act (PIIA) of 2019 directs federal agencies and departments to undertake activities designed to reduce and recover improper payments. The PIIA repeals and replaces prior payment integrity laws and is intended to improve and further efforts to identify and reduce improper payments. OA contracted with an IPA firm to perform an audit of the FCC’s compliance with PIIA for Fiscal Year 2020.

The audit report, issued on May 17, 2021, found that the FCC was compliant with PIIA for 8 of its 10 programs that were susceptible to significant improper payments. However, the auditors could not form an opinion on the FCC’s overall compliance with PIIA because of a scope limitation for the USF Lifeline Program. The auditors concluded they did not receive sufficient, appropriate evidence to support an opinion on the accuracy the Lifeline Program’s estimated improper payment rate and the related payment integrity information. Additionally, the auditors were unable to rely on the improper payment rate that FCC management reported for the USF High Cost Program because deficiencies identified by FY 2018 and 2019 audits had not been addressed. Finally, the auditors noted that due to the COVID 19 pandemic, FCC did not complete USF recovery audits for two programs that met the PIIA recovery audit threshold. PIIA requires recovery audits for all programs that expended \$1,000,000 or more annually.

FCC Management agreed that 1 of its 10 programs, the High Cost Program, was not compliant with PIIA requirements. However, management did not agree that FCC and USAC did not provide sufficient, appropriate documentation to support an audit conclusion on the FCC’s compliance with PIIA. Because of the scope limitation, the audit report did not include any findings or recommendations.

In-Process OFID Audits and Other Projects

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 (Project No. 21-AUD-06-02)

Audit of FCC's Compliance with the Emergency Broadband Benefit Program Requirements
(Project No, 21-AUD-10-01)

Privacy and Data Protection Inspection (Project No. 21-INSP-10-01)

Universal Service Fund Division

The USFD performs audits and inspections of USF program service providers and beneficiaries. USFD is divided into three functional audit 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 in 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 focus our limited resources on areas with the highest risk, in the most cost-effective manner. USFD communicates with USAC's Internal Audit Division, and shares information such as emerging program risks, prior audit results, data sources and testing tools, and new USF program developments and initiatives.

Two USFD projects were completed during this reporting period. Two projects are in process and will be summarized in a future reporting period.

Completed USFD Audits

Performance Audit of Colbert County School District for the Universal Service E-Rate Schools
and Libraries Program Disbursements Related to Funding Year 2015 (Report No. 19-AUD-
10-07)

OA contracted with an IPA firm to conduct a performance audit of Colbert County School District. 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 audit report, dated April 21, 2021, includes two findings that address weaknesses in the District’s internal controls. The audit found that the District lacked adequate controls over its competitive bidding and inventory processes. The auditors provided four recommendations to address the findings, including a recommendation that the Universal Service Administrative Company, the USF administrator, recover E-rate program funds in the amount of \$39,985. Management concurred with all four recommendations.

Performance Audit of Cullman County School District for the Universal Service E-Rate Schools and Libraries Program Disbursements Related to Funding Year 2015) (Report No. 19-AUD-10-06)

OA contracted with an IPA firm to conduct a performance audit of Cullman County School District. 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 audit report, dated June 23, 2021, includes two finding that address weaknesses in the District’s internal controls and one condition reported as an “other matter” (a condition that does not rise to the materiality threshold of a reportable finding). The audit found that the District lacked adequate controls over its competitive bidding and invoicing processes. In addition, the auditors identified an “other matter” in which the District failed to file FCC Form 500, *Funding Commitment Adjustment Request*, to cancel funds that were committed but not used. The auditors provided four recommendations to address the findings, including a recommendation that the Universal Service Administrative Company, the USF administrator, recover E-rate program funds in the amount of \$54,052. Management concurred with all four recommendations.

In-Process USFD Audits and Other Projects

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

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

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 security (IT) recommendations represent the most significant recommendations from previous semiannual reports for which corrective actions have not yet been completed. Currently there are 10 open IT security recommendations that were identified in prior FISMA and other IT audits and evaluations. Those recommendations address identity and access management, information security continuous monitoring, risk management, and configuration management. We consider the FISMA recommendations for improving the FCC’s identity and access management to be the most significant recommendations. FCC needs to prioritize corrective actions to resolve open, prior year IT security recommendations to limit risk of unauthorized access to FCC data.

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 also 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.

Please refer to the section of this report titled “Office of Audit” and 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 September 30, 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.

The FCC OIG did not perform a peer review of another OIG during the reporting period. See Appendix A for a summary of the most recent peer review of FCC OIG.

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 partially implemented. See Appendix A for the status of prior peer review recommendations.

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 did not conduct any peer reviews of another Office of Inspector General during this period.

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.

On January 8, 2020, the OIG terminated the FY 2017 Audit of USAC IT Software Inventory Asset Management (Project No. 18-AUD-07-04). Because of staff turnover, we were not able to assign sufficient staff with the necessary competencies to complete the project. Only a limited amount of the planned work was completed; therefore, we did not issue formal audit findings and recommendations. However, in our audit termination memorandum, issued to USAC and FCC management, we suggested that USAC ensure its software asset management program is designed to follow FCC policies and the guidelines required by Office of Management and Budget Circular A-130, Managing Information as a Strategic Resource, and related appendices. We also suggested that FCC's Information Technology Office monitor USAC's software inventory management program from implementation throughout the program's lifecycle.

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.	2	\$94,037		
C. Management decision made during the reporting period.				
Value of disallowed costs.	2	\$94,037		
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 the Council of Inspectors General for Integrity and Efficiency (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. 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 required additional resources, including staffing, software, and training; the target full implementation date is December 31, 2021.

Office of Audit Peer Reviews of Other OIGs

The FCC OIG did not perform a peer review of another OIG during the reporting period.

APPENDIX B

Reports Issued in Prior Periods for Which a Management Decision is Pending			
As of September 30, 2021			
Report Number	Project Title	Report Date	Comments
12-AUD-12-20	Audit of the FCC Compliance with OMB Circular No. A-130 Revised	3/12/2014	Management did not meet the target implementation date of December 31, 2020, as outlined in its corrective action plan, and had not demonstrated sufficient progress in implementing one open recommendation. The revised target date is February 28, 2023.

**Office of Inspector General
Federal Communications Commission
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Report fraud, waste, and abuse to:

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