
**Federal Communications Commission
Office of Inspector General**



**Semiannual Report to Congress
April 1, 2022 — September 30, 2022**

THE FEDERAL COMMUNICATIONS COMMISSION



Left to Right

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

FROM THE INSPECTOR GENERAL

I am pleased to present the FCC Office of the Inspector General's (OIG) Semiannual Report to Congress for the six months ending September 30, 2022. In accordance with [Section 5 of the Inspector General Act](#), as amended, [5 U.S.C. App. 3 § 5](#), this report summarizes the activities and accomplishments of the OIG.

This report describes audits and investigations we have 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 and are posted to the [OIG website](#).

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 of 2021 \(ARPA\)](#), the [Coronavirus Aid, Relief, and Economic Security \(CARES\) Act](#), other pandemic response legislation, as well as the [Infrastructure Investment and Jobs Act](#), to ensure taxpayer dollars are used effectively and for their intended purposes in response to this public health and economic crisis. The OIG continues ensuring that (1) funds for assistance are timely, effectively distributed, and used appropriately; (2) adequate and proper internal control procedures are in place; (3) program participants meet eligibility guidelines and comply with program requirements; and (4) offices establish effective compliance operations.

We thank the Offices of Inspector General of other federal agencies, the Department of Justice (DOJ), the Federal Bureau of Investigation (FBI), senior officials throughout the Commission, and members of Congress and their staffs for their support of our work and for their receptiveness to our recommendations to improve OIG programs and operations. OIG remains committed to maintaining the highest possible standards of professionalism and quality in its audits, investigations, inspections, and consultations. We welcome your comments, suggestions, and questions.



David L. Hunt
Inspector General

TABLE OF CONTENTS

<u>FROM THE INSPECTOR GENERAL</u>	<u>1</u>
<u>ABBREVIATIONS & ACRONYMS</u>	<u>3</u>
<u>INTRODUCTION.....</u>	<u>5</u>
<u>OFFICE OF MANAGEMENT.....</u>	<u>6</u>
Office Staffing.....	6
Legislative and Policy Matters.....	7
<u>OFFICE OF INVESTIGATIONS.....</u>	<u>8</u>
<u>OFFICE OF AUDIT</u>	<u>22</u>
Operations, Financial, and Information Technology Division.....	22
Completed OFID Projects	23
In-Process OFID Audits and Other Projects	24
Universal Service Fund Division	25
In-Process USFD Audits and Other Projects	26
<u>REPORTING REQUIREMENTS.....</u>	<u>27</u>
<u>APPENDIX A.....</u>	<u>32</u>
<u>APPENDIX B.....</u>	<u>33</u>

ABBREVIATIONS & ACRONYMS

ACP	Affordable Connectivity Program
ARPA	American Rescue Plan Act
AIG	Assistant Inspector General
BQP	Benefit Qualifying Person
CAF	Connect America Fund
CAA	Consolidated Appropriations Act
CARES	Coronavirus Aid, Relief, and Economic Security
CGB	Consumer & Governmental Affairs Bureau
CIGIE	Council of the Inspectors General on Integrity and Efficiency
DOE	Department of Education
DOJ	Department of Justice
E-rate	Schools and Libraries Program
ETC	Eligible Telecommunications Carriers
EBB	Emergency Broadband Benefit
ECF	Emergency Connectivity Fund
FBI	Federal Bureau of Investigation
FCA	Federal False Claims Act
FCC	Federal Communications Commission
FISMA	Federal Information Security Modernization Act of 2014
FLETC	Federal Law Enforcement Training Center
FY	Funding Year
IPA	Independent Public Accountant
IG	Inspector General
IP-CTS	Internet Protocol Captioned Telephone Service
IT	Information Technology
Kearney	Kearney and Company, P.C.
OA	Office of Audit
OGC	Office of General Counsel
OIG	Office of Inspector General
OI	Office of Investigation
OMB	Office of Management and Budget
OFID	Operations, Financial, and Information Technology Division
NLAD	National Lifeline Accountability Database
PBGC	Pension Benefits Guaranty Corporation
PIIA	Payment Integrity Information Act
PQAD	Policy and Quality Assurance Division
RHC	Rural Health Care
SAR	Semiannual Report to Congress
TRS	Telecommunications Relay Services
TPIV	Third-Party Identity Verification
USAC	Universal Service Administrative Company
USF	Universal Service Fund

USFD
WCB

Universal Service Fund Division
Wireline Competition Bureau

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 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 Chair, or chief executive officer of the Commission. Jessica Rosenworcel currently serves as Chairwoman. Brendan Carr, Geoffrey Starks and Nathan Simington currently serve as Commissioners. Most of the FCC's employees are located at the FCC's Headquarters at 45 L Street NE, Washington, DC. 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 Chairwoman'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 to Congress (SAR), we discuss accomplishments and activities of OIG from April 1, 2022 through September 30, 2022, as well as its goals and future plans.

OFFICE OF MANAGEMENT

Office Staffing

Our office consists of 46 experienced professional and administrative staff including auditors, investigators, investigative attorneys, administrative management specialists, program and management analysts, a paralegal, an industry economist, an information technology (IT) specialist, a computer forensics investigator, a budget officer, a data analyst, and a writer/editor.

Continuous training and education increase the expertise of all staff and satisfy the training requirements mandated by various professional organizations. The 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 (FLETC); 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, National Association of State Auditors, Controllers and Treasurers, and the Graduate School USA.

Changes and Improvements

Remote Work Environment

Staff have been working remotely full-time for more than two years. Technological solutions facilitate remote meetings, investigations, audits, an external peer review of another OIG, staff recruitment and hiring, data reporting, training, and overall office management.

Procedural changes, coupled with the logistics associated with the FCC's relocation to a new facility, have presented challenges. While we have successfully met these challenges, we learned lessons and made adjustments. Throughout, the staff exhibited professionalism, dedication, and commitment to the agency's mission and to serving the public interest.

Secure Office Space for OIG

The COVID-19 pandemic impeded access to the new facility. We are working with FCC Management to assist us in solving various concerns, such as the lack of more secure space for criminal investigations and access to confidential Grand Jury material. OIG requires this secure space to prevent the release of critical OIG-only data. Under the

current layout, several OIG staff who work on critical law enforcement data are assigned open cubicles to carry out this most sensitive work. Secure office space is, obviously, common for any Inspector General office in the federal government.

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.

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 pp. 9-15.

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. Further, Congress significantly expanded broadband subsidies in the [Infrastructure Investment and Jobs Act](#).

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

OFFICE OF INVESTIGATIONS

OIG Office of Investigations (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 telecommunications subsidy 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 still intends to arrange for this training, however our ability to even post positions for qualified criminal investigators still has not been approved by the FCC. The IG has been working with the FCC's Chairperson as well as

the General Counsel of the FCC for an extensive period of time as mentioned in our prior SAR. This delay is having a negative impact on OI's ability to support DOJ and the FBI in law enforcement investigations.

The IG Office is trying to work through whatever complications are before us to hire criminal investigators. Most other Federal IG Offices, many of whom are involved with monetary sums below our own matters, have retained such investigators. 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.

In addition to this issue, other OI's actions have been delayed because OI has been unable to close various investigative files in a timely manner that involve DOJ. This appears to be primarily due to OGC's failure to act. OI has concerns that OGC's delays could stall negotiations and impede resolution of open investigations. Moreover, this situation has been noticed by the Department of Justice and we are concerned as to whether it caused the FCC and OIG reputational risk.

Activity During This Period

Cases pending as of April 1, 2022.....	41
New Cases.....	8
Cases Closed.....	1
Cases pending as of September 30, 2022.....	48

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 FCC Subsidy Programs

The *Universal Service Fund* (USF), administered by USAC on behalf of the FCC, provides support through a number of programs.

The *High Cost Fund* provides support to certain qualifying telecommunications carriers serving high-cost (primarily rural) areas. Telecommunications carriers receiving support must offer services to rural area consumers at rates reasonably comparable to the rates for services offered in urban areas. The Connect American Fund (CAF) was designed to transition the program away from its predecessor the High Cost Fund, which provided 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 and CAF support, totaled \$5.1 billion in calendar year 2021.

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 2021, USAC received over 35,000 applications from schools and libraries seeking over \$3.1 billion in E-rate support to over 125,000 schools and libraries. In calendar year 2021, USAC authorized disbursement of over \$2.156 billion in E-rate support.

As part of the American Rescue Plan Act of 2021, Congress authorized the *Emergency Connectivity Fund* (ECF), a \$7.17 billion program to help schools and libraries provide the tools and services their communities need for remote learning during the COVID-19 emergency period. For eligible schools and libraries, the ECF Program covers reasonable costs of laptop and tablet computers, Wi-Fi hotspots, modems, routers, and broadband connectivity purchases for off-campus use by students, school staff, and library patrons. Since its June 2021 launch, the Commission has committed nearly \$5.9 billion in funding to support approximately 10,000 schools, 900 libraries, and 100 consortia, and providing nearly 12 million connected devices and over 7 million broadband connections.

The *Lifeline Program* provides support to eligible telecommunications carriers that, in turn, offer discounts on telecommunications services to eligible consumers. In 2021, Lifeline support was approved for disbursement totaling more than \$723 million.

The Consolidated Appropriations Act of 2021 established the *Emergency Broadband Benefit* (EBB) *Fund*, which consisted of \$3.2 billion to the FCC to help low-income households pay for broadband service and connected internet devices, as part of a response to the COVID-19 emergency. The EBB Program provided a discount of up to \$50 per month for broadband service for eligible customers. The EBB Program was intended to be a temporary response to the pandemic emergency. However, in the Infrastructure Investment and Jobs Act, Congress appropriated money for a long-term program subsidy program known as the *Affordable Connectivity Program* (ACP). The ACP is a \$14 billion benefit program intended to ensure households can afford the broadband they need for work, school, healthcare and more. This program provides a discount of up to \$30 per month toward internet service for eligible households and up to \$75 per month for households on qualifying Tribal lands. More than 10 million households have enrolled in the ACP.

The *Rural Health Care (RHC) Program* provides support to eligible rural health care providers who 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 RHC Program funding has risen over the past three years. In 2021, the FCC announced unused funds from prior years would be carried forward, resulting in a \$621 million cap in total available funds to eligible health care providers for funding year 2021. The RHC Program approved disbursements totaled more than \$556 million with over 11,100 participating health care providers receiving commitments in 2021.

The *COVID-19 Telehealth Program* provides funding to eligible health care providers responding to the COVID-19 pandemic to support telecommunications services, information services, and connected devices needed to provide critical connected care. This program was established in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, providing \$200 million in funding. The [Consolidated Appropriations Act \(CAA\)](#) provided an additional \$249.95 million to fund a second round of the COVID-19 Telehealth Program. Between August 26, 2021 and January 26, 2022, the Commission has committed \$256 million in funding to 447 awardees.

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*. More than 3,300 contributors submitted total USF contributions of approximately \$9.1 billion in 2021.

The bulk of OI's work involves investigating and supporting civil and criminal investigations and prosecutions of fraud in the FCC subsidy programs. The Assistant Inspector General for Investigation 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 (DOE) and its OIG, and various U.S. Attorneys, have resulted in many successes, including civil settlements and criminal convictions.

Most of our ongoing 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, 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 and on our social media sites, 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, Emergency Broadband Benefit Program and Affordable Connectivity Program

Proactive work

OIG Advisory Regarding Duplicate BQPs

On September 8, 2022, OI issued an alert regarding a troubling fraud scheme perpetrated by several ACP providers. Most households are eligible for ACP support based on the subscriber’s own participation in a qualifying federal program like the Supplemental Nutrition Assistance Program or Medicaid. However, many other subscribers are eligible through a Benefit Qualifying Person (BQP)—another household member, such as a child or dependent, who meets one of the ACP eligibility requirements.

Subscribers who apply for ACP support based on a BQP’s eligibility are required to furnish certain information about the BQP to the National Verifier and the National Lifeline Accountability Database (NLAD) as part of the ACP verification and enrollment processes. OIG’s analyses of the BQP personally identifiable information furnished by applicants during the verification and enrollment processes clearly show that a number of providers and their agents have enrolled many households into the ACP based on the eligibility of a single BQP. A single BQP cannot be used to qualify multiple households for ACP support simultaneously.

The Advisory discusses 12 BQPs who were used by providers and their agents to enroll between 135 and 1,042 ACP households *each*. Providers collected more than \$1.4 million in connection with those enrollments alone. The Advisory also notes many more BQPs were used to make dozens of household enrollments and that these fraud schemes are ongoing.

In response to the advisory, the FCC and USAC have undertaken the following actions:

1. Developed the National Verifier system to strengthen and improve the detection of instances where multiple households attempt to enroll using the same BQP.
2. Increased program integrity reviews related to enrollments based on a BQP.
3. Held payments to limit the amount of potentially improper payments disbursed.
4. Identified and de-enrolled multiple households enrolled on the basis of a single BQP.

The FCC issued a Public Notice to announce these measures and to remind providers of their obligation to implement policies and procedures for ensuring that their ACP households are eligible to receive the ACP benefit, including checking for intracompany duplicates.

OIG Recommendations to Mitigate Fraud in ACP Outreach Grant Program

On July 14, 2022, the Commission established the Affordable Connectivity Outreach Grant Program (Grant Program) to provide eligible partners with grant funds to conduct outreach to identify households eligible for ACP support. The Commission previously allocated up to \$100 million of this budget for outreach, including an outreach grant program and outreach activities by the Commission's Consumer and Governmental Affairs Bureau (CGB) as authorized in the Infrastructure Act, to be spent over five years.

The Wireline Competition Bureau (WCB) provided OIG an opportunity to review the draft Order. Following is a description of OIG's concerns and the Commission's responses.

1. The initial draft Order did not promulgate a set of FCC Rules governing the Grant Program. In the final Order, the Commission codified program rules governing the prohibitions contained in the Order.
2. Relatedly, when reviewing the draft rules, OIG recommended strengthening program prohibitions to prevent providers from a) providing funding to grantees to purchase gifts or incentives to encourage eligible households to learn more about the ACP; and b) providing additional funding for grantee outreach funded by a Grant Program award. OIG was concerned such funding by providers and other industry groups would create a conflict of interest and offering gifts and incentives to consumers and eligible households would lure consumers and cause enrollments which would not happen otherwise. The Commission adopted our recommendations.
3. OIG was concerned the delegation of authority to CGB to develop performance metrics and data collection requirements in the future was potentially problematic. OIG explained that clearly defined performance metrics and robust data collection are critical to OIG's ability to monitor the use of grant funds. Although the delegation of authority to CGB remained in the final Order, OIG continues to seek a role in discussions regarding the development of performance metrics and data collection.
4. OIG identified the risk of dissemination of misinformation in the promotional materials paid for by the Grant Program. This concern was not addressed in the final order.

Ongoing Investigations

American Broadband Settlement and Telecommunications Resolved False Claims Act Liability in Settlement with the FCC and the DOJ

On June 3, 2022, American Broadband, based in Toledo, Ohio, and its Chief Executive Officer and owner Jeffrey S. Ansted (Ansted), agreed to pay nearly \$1.5 million as part of a global settlement with the FCC and the DOJ to resolve allegations that the company violated the False Claims Act. OI investigators determined the company failed to enforce adequate compliance measures and sought reimbursement from the FCC's Lifeline Program after learning the company's sales agents enrolled ineligible customers. American Broadband also entered into a five-year compliance agreement covering the company's Lifeline and ACP operations to ensure corporate integrity. American Broadband and Ansted previously repaid more than \$15 million to the Universal Service Fund upon learning of OI's investigation.

The settlement amount will be paid over five years and was based on American Broadband's and Ansted's ability to pay a settlement. Ansted was required to sell a Ferrari and pay \$67,050 as part of the settlement. The payment also resolved an enforcement action and investigation conducted by the FCC. The FCC entered into a separate consent decree with American Broadband as part of the global settlement.

To be eligible for the Lifeline Program, a consumer must have income that is at or below 135% of the Federal Poverty Guidelines or participate in one of a number of specified federal, state, or Tribal assistance programs. Eligible Telecommunications Carriers (ETC), such as American Broadband, receive monthly federal payments for providing discounted phone services to qualified consumers. As a condition of payment, an ETC must comply with FCC regulations, which, among other things, require the implementation of policies and procedures to ensure that enrolled subscribers are indeed eligible for the program and that households do not receive more than one Lifeline phone benefit. ETCs must certify their compliance with Lifeline rules with each monthly request for payment.

American Broadband relied primarily on contract sales agents to engage in face-to-face marketing of mobile Lifeline services. Sales agents were expected to enter a consumer's personal information and capture images of the consumer's proof of identification and proof of eligibility for the Lifeline Program (e.g., Medicaid card, food stamp card) into American Broadband's electronic systems.

OI investigators found evidence that, between 2014 and 2016, American Broadband failed to implement effective policies and procedures to ensure subscriber eligibility and failed to adequately screen, train, or supervise the sales agents the company used to

enroll Lifeline subscribers. Moreover, the company failed to effectively review the applications submitted by these under-trained, under-supervised sales agents who were paid commissions by the company based on the number of subscribers enrolled. As a result, investigators found evidence the company impermissibly enrolled and claimed monthly Lifeline subsidies for many ineligible subscribers, including nearly 23,000 deceased individuals and 20,000 subscribers who were provided multiple Lifeline benefits by the company. Evidence shows that company executives were aware of this misconduct, and failed to adequately address it, while it certified compliance with FCC rules and continued to seek Lifeline reimbursements each month.

The compliance agreement American Broadband agreed to as part of the global settlement requires the company to designate a senior corporate manager to serve as a compliance officer and report directly to American Broadband's President and CEO. In addition, the company is required to develop a compliance plan, operating procedures, and a compliance manual to ensure the company's compliance with Lifeline and ACP rules. The agreement requires American Broadband to conduct compliance training, actively monitor and investigate potential Lifeline program and ACP fraud and noncompliance, and make reports to the FCC at specified intervals. Violation of the agreement will result in significance penalties for the company, including suspension of funding.

The settlement was the result of a coordinated effort among the U.S. Attorney's Office for the Northern District of Ohio, the DOJ Civil Division's Commercial Litigation Branch, the FCC and the FCC Office of Inspector General.

The FCC chose not to actively publicize either the settlement or the FCC consent decree. Moreover, the FCC discouraged DOJ from publicizing the settlement. The FCC missed an excellent opportunity 1) to foster further awareness of the risk of fraud and abuse in both the Lifeline program and the ACP; and 2) to deter providers from engaging in conduct similar to American Broadband's. As described above, OIG investigators found clear evidence that American Broadband engaged in serious violations of FCC rules and the False Claims Act, including the enrollment of thousands of deceased individuals. The settlement also resulted in a significant recovery for the government, limited only by the company's ability to pay. The FCC's failure to publicize the settlement stands in contrast to the Commission's fulsome press releases concerning other FCA settlements, including other recent settlements that resulted in smaller recoveries.

Beyond the recovery of more than \$16.5 million, OIG's investigation of American Broadband resulted in findings that we translated into significant recommendations to the Commission and to USAC on ways to improve program integrity and to combat fraud, waste, and abuse. For example, the discovery that American Broadband enrolled thousands of deceased individuals led to discoveries regarding other providers. Based on these findings, we advised the Commission and USAC to perform a "death check" of

potential Lifeline subscribers as part of its third-party identity verification (TPIV) prior to enrollment. The death check has prevented program enrollments of thousands of deceased individuals. This is just one example. Many of OIG's recommendations to improve the integrity of the Lifeline program and the ACP have their roots in OIG's investigation of American Broadband.

Compliance Plan Amendments

In this reporting period, another Lifeline carrier has amended their compliance plan to modify several operating procedures without seeking Commission approval. OI has reported in prior SARs, starting in 2021, that this troubling carrier practice of attempting to avoid required approval may undermine the Commission's efforts to prevent fraud, waste, and abuse in the program. We do so again here.

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 (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.

ETCs should seek WCB approval, rather than simply provide notice, before implementing changes to essential processes. This is particularly so when the processes concern fraud, waste and abuse prevention. We first advised WCB of our concern in September 2020. No steps have yet been taken to address this concern.

E-Rate and Emergency Connectivity Fund Programs

Proactive Work

Creation of an Online Competitive Bid Repository within EPC

The Commission released its Notice of Proposed Rulemaking which would seek comments on establishing a competitive bid repository. OI has been monitoring the filings in this proceeding and they were generally against the proposed bid repository. However, on August 16, 2022, the DOJ Antitrust Division filed an *ex parte* comment in the proceeding, recommending the Commission adopt the proposal. In part, the Antitrust Division stated that to best protect the E-rate program's competitive process, real-time, centralized, electronic collection of pre-award bids and bid selections should occur, which would allow for more robust enforcement of the laws designed to protect the E-rate program's public procurement process and enhance the program's integrity,

including the investigation and prosecution of antitrust and related crimes related to E-rate procurements. 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

In numerous previous SARs, OI has explained the importance of the FCC establishing a more robust suspension and debarment program similar to those in most other federal agencies. 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. OI understands there has been progress on the Suspension and Debarment rulemaking, yet we are concerned that no order has yet been circulated to the Commission, two and a half years after the close of the comment period.

Notification Process for Cancelled FCC Form 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 their FCC Form 470. OI informed the FCC WCB 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.

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 DOJ and United States Attorney's Offices around the country to pursue civil and criminal fraud cases in the E-Rate program. The E-rate Investigations team has expanded its area of responsibility to include investigations in the Rural Health Care Program, Emergency Connectivity Fund Contributions, and the Emergency Broadband Benefit Programs.

New York Based Service Providers, Consultants, and School Officials

Peretz Klein Susan Klein, and Mosche Schwartz were sentenced in June 2022, following their guilty pleas to one count of conspiracy to commit wire fraud entered in February 2020. The sentencing were originally scheduled in 2020, but were continued when the Federal Courthouse closed due to the pandemic.

The Kleins held themselves out as vendors to schools participating in the E-rate program. In their guilty plea, the Kleins admitted the companies they controlled did not in fact provide much of the equipment for which they billed the federal government. The Court sentenced Peretz Klein to four years in prison and two years of supervised release and Susan Klein to one year of supervised release. The Court also ordered the Kleins to pay \$1.14 million in restitution, jointly and severally.

Schwartz held himself out as a consultant, supposedly helping schools to participate in the E-rate program by, among other things, holding a fair and open bidding process to select cost-effective vendors. Schwartz admitted he was paid hundreds of thousands of dollars by vendors to complete and file false E-rate documents that circumvented the bidding process and resulted in the payment of millions of dollars to those vendors. The Court sentenced Schwartz to 27 months in prison and two years of supervised release. The Court also ordered Schwartz to pay \$275,160 in restitution. Sentencing hearings for Ben Klein, Sholem Steinberg, Simon Goldbrener, and Aron Melber are scheduled for October 2022.

Former Kentucky Based Vendors

On February 9, 2022, Charles A. “Chuck” Jones of Murray, Kentucky pled guilty to one count of conspiracy to commit wire fraud pursuant to a plea agreement. Jones’ trial had been scheduled to commence on February 7, 2022, in Memphis, Tennessee on wire fraud and conspiracy charges. Jones pled guilty to a decade-long scheme and conspiracy to defraud the E-rate program. Jones paid kickbacks to a Tennessee-based E-rate consultant, which corrupted the required fair and open competitive bidding process. Additionally, in furtherance of the conspiracy, Jones and his co-conspirators made false statements and submitted false documents to the E-rate program to make it appear that all rules and requirements had been met. For example, they submitted false documentation to make it appear the required co-payments had been invoiced to schools in Missouri and Tennessee. Jones’ conspiracy caused a loss to the program of approximately \$6.9 million. Jones’ sentencing is now scheduled for January 6, 2023, and the charge to which he pled carries a maximum possible term of imprisonment of 20 years. The sentencing of one of Jones’ co-conspirators, Mark J. Whitaker, also of Murray, Kentucky, originally set for November 15, 2022, is now awaiting rescheduling. Whitaker pled guilty in federal court in Memphis, Tennessee, in February 2020 to concealing the decade-long E-rate program wire fraud scheme (18 U.S.C. § 4) and

admitted to actively concealing a scheme by his co-conspirator, Jones, to defraud the E-rate program.

Oklahoma Based Vendor

On September 8, 2022, Omega Technology Center, Inc. and its owners, Todd and Kristie Greenway, agreed to pay \$54,000 to settle civil claims related to their participation in the E-rate program. These claims arose from allegations that Omega and the Greenways submitted false claims to the federal government via invoicing the E-rate program administrator, USAC, for goods and services that were never provided to the Fort Towson School District in Fort Towson, Oklahoma. These goods and services were to have been provided in the 2010 and 2012 E-rate funding years. In addition to paying \$54,000 to the Universal Service Fund, Omega and the Greenways also agreed to not participate in any FCC programs for at least three years. Omega and the Greenways did not admit liability as part of the settlement.

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. The majority of matters referred to the Enforcement Bureau and USAC are still pending. OI anticipated sending additional referrals during the current reporting period.

Emergency Connectivity Fund

After obtaining the long-sought Emergency Connectivity Fund data from USAC, OI began the task of analyzing that information utilizing a contractor and a newly hired full-time employee. This analysis has identified potential risk factors for fraud, waste, and abuse. OI plans to conduct additional work to verify the initial findings in the data. Additionally, OI has completed the task of selecting a contractor to assist OI staff with on-site inspections of ECF recipients. OI expects that its staff, along with the contracted staff, will continue in-person inspections of ECF recipients in the next reporting periods. OI intends to devote significant resources in the next reporting periods to ensuring the funds are utilized appropriately by the intended beneficiaries.

OI has been 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 to assist us in furthering our mission.

Rural Health Care Program

OI staff are devoting substantial amounts of time and resources on matters involving the Rural Health Care program. OI anticipates it can report on the results of this work in the next reporting period.

COVID-19 Telehealth Program

OI continues to monitor this program.

Contributions

OI staff have continued to review data from service provider contributions to the USF and have developed concerns related to the failure of certain entities to provide their required contributions into the Fund. OI devoted significant resources to investigating these matters during the current reporting period.

OI Data Analytics Efforts

OI's data team continues to proactively pursue potential fraud, waste, and abuse of the USF as well as the Congressionally appropriated subsidy programs. OI's data team improved its data loading and reporting processes and began development of automated reporting and data summarization, particularly those related to the regularly refreshed data OI receives from USAC. In July and August, OI's data team conducted testing of ACP data that, among other things, resulted in findings announced in OI's September 8, 2022, advisory titled "Advisory Regarding Provider Enrollments of Multiple ACP Households Based on the Same Child/Dependent."

During this reporting period OI conducted proactive analysis of ECF data identifying potentially high-risk recipients based on predetermined factors. OI has begun to utilize the results of this analysis to initiate investigations and plans to rely in large part on the information generated to guide future ECF investigations.

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 completed 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.
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. 13,607 Hotline contacts. Of these, none were referred to OIG for possible case opening.
2. 165 were referred to FCC Consumer Center or other FCC Bureaus.
3. 209 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 [CIGIE 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 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 by OA during the current reporting period are provided below. External peer reviews are 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 performs other periodic mandated projects such as those related to the COVID-19 pandemic response, 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 complete the projects in-house or contract the work to IPA firms. OFID oversees and monitors contracted services.

OFID completed two projects during this reporting period. Three OFID projects are in process and will be summarized in a future report.

Completed OFID Projects

[Fiscal Year 2021 Emergency Broadband Benefit Program Performance Audit \(Report No. 21-AUD-10-01\)](#)

In accordance with Section 904 of the 2021 Appropriations Act, the FCC established the Emergency Broadband Benefit Program (EBBP) to reimburse participating providers for emergency broadband benefits, or emergency broadband benefits and connected devices, provided to eligible households during the Coronavirus Disease 2019 emergency. The EBBP emergency period began on December 27, 2020. The program was transitioned to the ACP beginning December 31, 2021.

OA contracted with an IPA firm to audit the EBBP, as required by Section 904 Division N of the Consolidated Appropriations Act of 2021. The overall objective of this performance audit was to determine whether the FCC and its service providers used EBBP funds to benefit eligible households and pay for eligible program expenses in the appropriate amounts during the emergency period.

The audit report included one finding and two recommendations. The audit found that the FCC did not have effective controls in place to ensure the verification of household eligibility when manual review was required. The audit also found that the FCC did not have effective controls to:

- ensure that payments made to eligible providers were for eligible expenses,
- reduce improper payments, and
- prevent fraud, waste, and abuse in the EBBP.

FCC partially concurred with the finding and recommendations. FCC agreed that internal controls for the EBBP could be strengthened but did not agree that the program lacked adequate controls to prevent ineligible payments. The final [audit report](#) was issued on June 21, 2022.

[Fiscal Year 2021 Payment Integrity Information Act of 2019 Performance Audit \(Report No. 22-AUD-01-01\)](#)

The Payment Integrity Information Act (PIIA) of 2019 directs federal agencies and departments to undertake activities designed to reduce and recover improper payments. OA contracted with an IPA firm for an audit of the FCC's compliance with PIIA for Fiscal Year 2021. The [audit report](#) was issued on June 28, 2022.

The audit found that the FCC was compliant in 8 of its 10 programs that were susceptible to significant improper payments. The Universal Service Fund (USF)-

Lifeline (LL) program and the USF-High Cost (HC) program were non-compliant with at least one PIIA criteria.

The USF-LL program did not comply with the PIIA because 1.) FCC reported an improper payment error rate of 15.87%, which exceeded the statutory improper payment error rate threshold of 10%, 2.) the program administrator did not demonstrate improvements to its payment integrity as required by PIIA, and 3.) the FCC did not accurately report USF-LL program improper payments in a prior year.

The USF-HC program was non-compliant because management’s risk assessments did not adequately conclude whether the USF-HC program is likely to make improper payments and unknown payments above or below the statutory threshold.

An additional five programs had deficiencies regarding risk assessments and efforts to reduce estimated improper payment and unknown payment rates. These deficiencies did not constitute non-compliance with PIIA but are reported as recommendations for improvement. The five programs are:

- FCC Operating Expenses,
- Coronavirus Disease 2019 (COVID-19) Telehealth program,
- TV Broadcaster Relocation,
- Telecommunications Relay Services Fund, and
- USF Schools and Libraries programs.

The [audit report](#) presents six findings and 17 recommendations to address the audit findings. Management concurred with one finding, partially concurred with one finding, and did not concur with the remaining four.

In-Process OFID Audits and Other Projects

Three OFID projects are in process and will be summarized in a future reporting period.

Federal Communication Commission's FY 2022 Consolidated Financial Statement Audit (Project No. 22-AUD-06-01)

As required by the [Accountability of Tax Dollars Act of 2002](#) (Pub. L. 107-289), the OIG engaged a contractor to audit its consolidated financial statements of the FCC, which comprise the consolidated balance sheets as of September 30, 2022 and 2021, the related consolidated statements of net cost and changes in net position, the consolidated statement of custodial activity and the combined statements of budgetary resources (hereinafter referred to as the “financial statements”) for the years then ended, and the related notes to the financial statements. The audit is required to be conducted in accordance with generally accepted government auditing standards.

Federal Communications Commission's FY 2022 Federal Information Security Modernization Act Evaluation (Project No. 22-EVAL-06-01)

The FCC OIG engaged a contractor to evaluate the FCC's progress in complying with the requirements of FISMA. The evaluation also assessed FCC's compliance with Department of Homeland Security reporting requirements, and applicable OMB and National Institute of Standards and Technology guidance for a representative subset of FCC's information systems.

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

The objective of this inspection is to determine whether the FCC has implemented effective privacy and data protection policies and procedures in accordance with federal laws, regulations, and policies, with a focus on FCC's implementation of the nine requirements identified in [42 U.S.C. § 2000ee-2 Privacy and Data Protection Policies and Procedures](#). The inspection includes a review of how effectively the FCC has implemented its data protection and privacy program during the period October 1, 2020, to September 30, 2021.

Universal Service Fund Division

The USFD audits and inspects USF program service providers and beneficiaries and is organized into three functional audit directorates:

- Contributors and Lifeline
- High Cost
- E-rate and Rural Healthcare

USFD projects are designed to detect and prevent fraud, waste, and abuse, and to 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 the areas with the highest risk, in the most cost-effective manner. When planning and performing audits, 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 are in process and will be summarized in a future reporting period.

In-Process USFD Audits and Other Projects

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

The objectives of the audit are to determine if Head Start Telecom, Inc. (1) complied with Title 47 of the Code of Federal Regulations, [47 C.F.R. 54.400 - 54.422](#), and related orders regarding the Lifeline program, and (2) has adequate and effective controls to ensure USF funds were safeguarded and used for the intended purposes. The audit includes Study Area Code (SAC) 349044, Oklahoma.

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

The objectives of this performance audit are to determine whether the Company complied with applicable FCC rules and related High Cost program requirements and to assess the accuracy of the underlying data used for the calculation of USF High Cost program support. We will also review the Company's internal controls applicable to the procedures tested and determine if those controls were adequate and effective for safeguarding the USF payments to the Company.

REPORTING REQUIREMENTS

The following are OIG's responses to the 22 specific reporting requirements 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 Investigations](#).

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 Investigations](#).

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. There are 14 open IT security recommendations that were identified in prior FISMA and other IT audits and evaluations. These 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, which includes implementing longstanding HSPD-12 PIV card requirements, to be the most significant open recommendations. FCC needs to prioritize corrective actions to resolve open, prior year IT security recommendations to limit risk of unauthorized access to FCC data and to provide consistent governance over related controls. Except for the public version of the FISMA report, all OIG IT-related 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 Investigations](#).

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 Investigations](#).

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 during this reporting period to the Chairwoman of the FCC for section 6(b)(2) of the Inspector General Act of 1978, as amended.

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.

During this reporting period, no reports were issued with questioned costs or recommendations that funds be put to better use.

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.

During this reporting period, no reports were issued with questioned costs.

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.

During this reporting period, no reports were issued with recommendations identifying funds put to better use.

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, 2022.](#)

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

No significant revised management decisions were made during the reporting period.

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

There are no significant management decision(s) with which the Inspector General disagreed.

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

There were no required report disclosures for 804(b) of the Federal Financial Management Improvement Act of 1996 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.

See [Appendix A: Peer Review Results.](#)

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.

All prior peer review recommendations issued by another Office of Inspector General are closed.

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 [Office of Investigations](#) section contains the total number of investigation reports during the reporting period. In this reporting period, no person was referred 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 information 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 Investigations 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 involving a senior government employee where allegations of misconduct were substantiated was conducted by the Office.

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.

The Office of Audit does not have any projects that were closed and not disclosed to the public.

APPENDIX A

Peer Review Results

The [Inspector General Act of 1978](#), as amended, requires the 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 conducted during 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 September 1, 2022, the Pension Benefits Guaranty Corporation Office of Inspector General (PBGC OIG) issued a modified peer review¹ of the FCC OIG's system of quality control for its audit operations. PBGC OIG determined that OA's system of quality control in effect for the year ending March 31, 2022, was not current and consistent with applicable professional standards. Specifically, the peer review found that the FCC OIG Audit Manual was not updated to reflect the current version of [Government Audit Standards](#). On September 1, 2022, the FCC OIG issued an updated version of its Audit Manual, consistent with GAS 2018 Revision and Technical Update April 2021, and [CIGIE Quality Standards for Inspection and Evaluation](#) dated December 2020. No recommendations from the PBGC OIG or prior peer reviews remain outstanding.

Office of Audit Peer Reviews of Other Office of Inspector General

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

¹ CIGIE requires a Modified Peer Review for OIGs that do not perform GAGAS engagements, but that may have maintained audit policies and procedures in anticipation of performing such work.

APPENDIX B

Reports Issued in Prior Periods for which a Management Decision is Pending as of September 30, 2022			
Report Number	Project Title (Recommendation No.)	Report Date	Comments
12-AUD-12-20	Audit of the FCC Compliance with OMB Circular No. A-130, Revised (Rec. No. 4.1)	3/12/2014	Management did not meet the target date (December 31, 2020) for one outlined in its corrective action plan. Management revised the target date to February 28 2023, but has not demonstrated sufficient progress toward implementing the open recommendation. This audit report contains nonpublic information and is not posted on the OIG webpage.
13-AUD-12-29	Performance Audit of the Federal Communications Commission Wireline Competition Bureau (Rec. No. 4.1)	07/31/2015	FCC management did not meet the target dates detailed in their corrective action plans and has not made significant progress towards implementing one recommendation. Management informed OIG that it would seek approval from Office of the Chairman to close the recommendation without implementing the recommended corrective actions. OIG requested that management provide additional justification for closing the recommendation, including any consideration given to the risks associated with closure without action.
15-AUD-10-09	Performance Audit of Universal Service Administrative Company National Lifeline Accountability Database (Rec No. 2.2 and 2.4)	3/26/2018	Two recommendations remain open from this audit report. After granting several extensions for the target completion date, management has not demonstrated significant progress towards implementing the recommendations. FCC management and OIG are reevaluating the corrective action plan.

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



Report fraud, waste, and abuse.

Email: Hotline@FCC.gov

Call Hotline: 202-418-0473