



UNITED STATES GOVERNMENT
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF INSPECTOR GENERAL

MEMORANDUM

DATE: April 29, 2014

TO: Managing Director

CC: Associate Managing Director for Administrative Operations
Chief Financial Officer
PERM

FROM: Acting Assistant Inspector General for Audit

Darrell A. Riegel

SUBJECT: Report on the Audit of the FCC's Administrative Operations FY 2012
(Audit Assignment No. 12-AUD-12-23)

The Office of Inspector General (OIG) is providing the final report on the Audit of the FCC's Administrative Operations (AO) FY 2012. The OIG conducted this audit consistent with its authority under the Inspector General Act of 1978, as amended, including but not limited to sections 2(1)(2) and 4(a)(1). The OIG engaged Lani Eko & Company to conduct the audit. The audit is not intended as a substitute for any agency regulatory compliance review or regulatory compliance audit.

The objectives of the audit were to 1) evaluate the design and implementation of internal controls; 2) determine if internal controls were adequate to ensure that transactions were properly authorized, adequately documented, and properly accounted for; 3) determine the effectiveness of the AO's programs; and 4) evaluate the adequacy of and compliance with the FCC directives, policies and procedures. The scope of the audit was limited three AO components; Administrative Service Center, Printing and Graphics Services, and Space Management.

The audit report identified two findings and provides six recommendations related to internal controls over record retention and management oversight. Management concurred with the two findings as well as the six associated recommendations. Lani Eko & Company is wholly responsible for the attached report and the conclusions expressed therein.

The OIG issued the AO Audit Report on March 12, 2014. We realized subsequent to issuance of the report that we needed to remove the controlled unclassified marking from the report prior to issuing the final report and posting to the OIG website. No other changes were made to the report.

If you have any questions, please contact Robert McGriff, Deputy Assistant Inspector General for Audit at (202) 418-0483 or Darrell Riegel, Acting Assistant Inspector General for Audit at (202) 418-0949.

Attachment

Audit of the Federal Communications
Commission Administrative Operations

FY 2012

Lani Eko & Company



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EXECUTIVE SUMMARY

The objectives of our performance audit of the Federal Communications Commission's (FCC) Office of Administrative Operations (AO) programs were to: a) determine the effectiveness of the FCC's AO, b) test the adequacy of and compliance with the FCC's AO directives, policies and procedures, and c) determine the status of the FCC's AO. The scope of the audit was limited to the following AO components: Administrative Service Center; Printing and Graphics Services; and Space Management.

We conducted our audit in accordance with standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit covered the period from October 1, 2011 through September 30, 2012.

We found that the FCC's Office of Administrative Operations and its components effectively carried out assigned functions; generally complied with relevant FCC directives, policies and procedures; and were in compliance with the requirements set forth in the applicable contracts with the vendors that provide support for AO. However, we noted the following matters relating to compliance with certain provisions of FCC directives, policies, procedures and internal control:

- The Administrative Service Center (ASC) was unable to provide program documents that are essential for accountability and to assess whether administrative services performed in support of FCC's employees and management were delivered properly, timely, and consistent with FCC's directives, policies and procedures.
- We were unable to verify the completeness and accuracy of the administrative service data reported in the ASC Monthly Report submitted to FCC's Chairman.

The details of the audit objectives, scope and methodology are provided in Appendix A of this report. The FCC's *Management's Response* is provided in Appendix B.

BACKGROUND

The Federal Communications Commission (FCC) is an independent United States government agency, directly responsible to Congress. The FCC was established by the Communications Act of 1934 and is charged with regulating interstate and international communications by radio, television, wire, satellite and cable. The FCC's jurisdiction covers the 50 states, the District of Columbia, and U.S. possessions. The Commission is committed to being a responsive, efficient and effective agency capable of facing the technological and economic opportunities of the new millennium. The FCC's rules and regulations are located in Title 47 of the Code of Federal Regulations (CFR).

The FCC is directed by five Commissioners appointed by the President of the United States and confirmed by the Senate. The Commissioners supervise all FCC activities, delegating responsibilities to Bureaus, Offices, and staff units. The FCC staff is organized by function. There are seven operating Bureaus and ten Staff Offices. The Bureaus' responsibilities include: processing applications for licenses and other filings; analyzing complaints; conducting investigations; developing and implementing regulatory programs; and taking part in hearings. Even though the Bureaus and Offices have their individual functions, they regularly join forces and share expertise in addressing Commission issues.

The Managing Director under the requirements of Title 47, Subpart A, § 0.11, has the responsibility to plan and manage Commission activities. The Managing Director, or Deputy Managing Director if so designated by the Managing Director, is assisted by the Associate Managing Director for AO. The Associate Managing Director for AO is responsible for planning, organizing, implementing and administering Commission programs for office space management and utilization; facility leasing; building operations and maintenance; security operations, transportation services; real property management; inventory management; requisitioning and maintenance of office supplies and equipment; distribution of publications, printing and duplicating services; conference room support services; mail management and distribution; the FCC Safety and Health Program; Health Center activities; and procurement of goods and services.

The FCC's Office of Administrative Operations is comprised of seven components, as follows: Administrative Service Center (ASC), Health & Safety, FCC Facilities, Contracts & Purchasing, Printing and Graphics Center, Security Operations Center, and Space Management Center. See Appendix C for definitions of each component. ASC uses an automated service desk system, Remedy, to create work order tickets for the AO activities. ASC receives employee/contractor service requests and inputs the information into Remedy to generate service tickets.

RESULTS OF AUDIT

We found that, generally, the selected components of FCC's Office of Administrative Operations effectively discharged its functions as outlined in applicable FCC directives, policies and procedures. However, we noted the following matters relating to compliance with certain provisions of applicable FCC directives, policies, procedures and internal control.

FINDING NO.1 - RECORD RETENTION

CONDITION:

We reviewed the administrative operations of the FCC's Administrative Service Center (ASC), a component of FCC's Office of Administrative Operations, for the period of October 1, 2011 through September 30, 2012, and determined that the ASC's internal control over recordkeeping was ineffective. ASC was unable to provide program documents that are essential for accountability and to assess whether administrative services to FCC's employees and management were delivered properly, timely and consistent with FCC's directives, policies and procedures. Specifically we noted the following:

- We noted that for 35 out of 35 sampled labor and building maintenance service requests, ASC was unable to provide evidence that the requestors were notified that service tickets were opened in the Remedy system.
- We selected an additional 10 requests from the population of requests for labor services and building maintenance services for the three months subsequent to FCC's migration to Microsoft Window 7. For four out of the 10 sampled requests, ASC was unable to provide evidence that the requestors were notified that service tickets were opened.
- ASC was unable to provide evidence that FCC employees' requests for toner cartridges were properly approved.
- Out of the five deliveries of equipment to FCC's warehouse we reviewed, ASC was unable to provide a purchase order or FCC Form A-521, *Notice of Credit Card Purchase*, for two deliveries; three deliveries were lacking a bill of lading or packing slips and one delivery did not have a receiving report.

CRITERIA:

The National Archives and Records Administration (NARA) Regulations in the Code of Federal Regulations, Title 36, Subchapter B, Section 1220.36(a) states that “Agencies must institute adequate records management controls over the maintenance and use of records regardless of their location or format, to ensure that all records are organized, classified, and described to promote their accessibility, and make them available for use by all appropriate agency staff for their authorized retention period.”

CAUSE:

- During the FCC’s migration to Microsoft Windows 7, FCC emails were retained in an employee/contractor inbox for 45 days. After 45 days, the emails were automatically deleted from Microsoft Outlook. Also, AO officials were not clear on the type and nature of emails that should be retained as required by FCC’s record retention directive.
- ASC did not have procedures in place for approving FCC employees’ requests for toner cartridges, and for tracking the frequency of toner cartridges issued to FCC employees.
- In those instances that AO was unable to provide the bill of lading or packing slips and receiving reports, AO’s management informed LEC that the equipment was purchased prior to 2007. In 2007, FCC implemented a policy of retaining certain documents relating to equipment purchases, such as purchase orders, receiving reports, bill of lading, packing slips, and FCC Forms A-521. However, in those cases where FCC was unable to provide the purchase orders or FCC Forms A-521 for examination, we were unable to confirm whether the equipment was purchased prior to 2007.

EFFECT:

Weaknesses in the ASC’s record keeping methods may impair the ability of FCC’s management to assess and improve the effectiveness, efficiency and oversight over administrative services.

Also, without the appropriate and sufficient procurement and asset records, the FCC is susceptible to the risk that misuse, fraud/or and abuse may occur and not be detected timely.

RECOMMENDATIONS:

We recommend that the FCC Administrative Operations’ management:

- 1.1 On a periodic basis, reiterate the existing policies and procedures outlined in FCC Directive - FCCINST 1110.1, *Records Management Program*, and applicable NARA regulations.

- 1.2 Work with FCC Information Technology Center to develop procedures to ensure that the content, structure, context and accuracy of electronic records are preserved during system upgrades.
- 1.3 Monitor toner cartridge usage and assess whether the current procedures should be strengthened to include an approval process for requesting toner cartridges and tracking the usage.
- 1.4 Review the files of equipment acquired since 2007 and ensure that the files contain complete equipment records including purchase orders, receiving reports, and FCC Forms A-521, *Notice of Credit Card Purchase*.

FCC MANAGEMENT RESPONSE (SYNOPSIS):

FCC Management concurred with the report findings and recommendations.

FINDING NO.2 - MANAGEMENT OVERSIGHT

CONDITION:

FCC's management may not have accurate and reliable information to effectively perform oversight responsibilities over AO components, including ASC, Space Management Center and Printing and Graphics Center.

We were unable to verify the completeness and accuracy of the administrative service data reported in the ASC Monthly Report. The ASC Monthly Report is utilized to inform AO's management of administrative tasks performed during the reporting month. Moreover, AO's management used the ASC Monthly Report to monitor AO performance measures and indicators.

As part of our audit of certain AO activities, we performed procedures to determine the completeness and accuracy of the FCC's requests for administrative services reported in the ASC Monthly Report. We randomly selected the months of October 2011, and April, May and July of 2012 for our testing. We noted significant differences between the performance data reported in the ASC Monthly Report and the performance data provided to the auditors by ASC. Specifically, we noted the following:

Administrative Services	Data Provided to Auditor	ASC Monthly	Difference
Conference Rooms Reserved - HQ	7,903	8,204	301
Conference Rooms Reserved Gettysburg	31	45	14
Property Passes HQ	565	879	314
Housekeeping Services HQ	90	3,343	3,253
Housekeeping Services Gettysburg	283	472	189
Courier Services HQ	66	93	27
Laborer Services HQ	1,211	6,540	5,329
Laborer Services Gettysburg	559	390	(169)
Transportation Services HQ	841	1,015	174
Transportation Services Gettysburg	55	34	(21)
Space Management HQ	177	188	11
Office Supplies HQ	1,106	371	(735)
Office Supplies Gettysburg	86	127	41
Toner Cartridges HQ	285	182	(103)
Non-IT Equipment Repairs (HQ)	7	9	2
Non-IT Equipment Repairs Gettysburg	0	12	12
Asset Management HQ	969	1,699	730
Building Maintenance HQ	359	250	(109)
Building Maintenance Gettysburg	75	116	41
Printing and Graphics HQ	1,023	1,157	134

We also noted that the quick copy and copy machine repair services were not reported in the ASC Monthly Report, and we were unable to determine the mechanism used to report performance for these administrative activities to FCC's management.

CRITERIA:

GAO's Internal Control Standards state that "transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions.... In addition, control activities help to ensure that all transactions are completely and accurately recorded." The Internal Control Standards also state that "Activities need to be established to monitor performance measures and indicators. These controls could call for comparisons and assessments relating different sets of data to one another so that analyses of the relationships can be made and appropriate actions taken. Controls should also be aimed at validating the propriety and integrity of both organizational and individual performance measures and indicators."

CAUSE:

ASC did not have adequate internal control policies and practices in place to accumulate monthly administrative tasks performed and for verifying the completeness and accuracy of the ASC Monthly Report.

Also, AO did not report to FCC's management the number of quick copy and copy machine repair services in the ASC Monthly Report.

EFFECT:

Lack of accurate and reliable performance data for administrative services increases the likelihood that deficiencies in the delivery of administrative services will not be identified and corrected promptly before they become systemic. Also, lack of relevant and reliable performance data may impair the ability of AO's management to provide continuous effective management oversight over administrative services and to adequately formulate the budgets for the FCC's AO.

RECOMMENDATIONS:

We recommend that ASC:

- 2.1 Develop and implement internal control policies and practices that include random reviews and approval of AO performance data reported in the ASC Monthly Report.

- 2.2 Expand the performance data gathered and reported in the ASC Monthly Report to include number of copies printed monthly by the Quick Copy service.

FCC MANAGEMENT RESPONSE (SYNOPSIS):

FCC Management concurred with the report findings and recommendations.

APPENDIX A – OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of this performance audit of the Administrative Service Center were to test the adequacy of and compliance with the FCC's Administrative Operations (AO) directives, and policies and procedures, including reviewing contracts, the Quality Assurance Surveillance Plan (QASP) and payments to vendors; determine if the Office of Administrative Operations effectively, and in accordance with agency policy, carried out its responsibilities in administering its service centers; obtain evidence to support the operating effectiveness of controls over the AO service centers/responsibilities; determine whether AO service centers' transactions were properly authorized, adequately documented, properly accounted for, and for appropriate, legitimate business purposes; determine whether payments made to the company contracted to perform administrative services for FCC were in accordance with contract terms and conditions; and determine the current status of the FCC's AO.

The audit period was October 1, 2011 to September 30, 2012. Our audit was performed in accordance with *Government Auditing Standards, December 2011 Revision*. We did not perform an internal control review over the FCC's entire organizational structure. Specifically, we examined those controls that exclusively pertained to monitoring of the FCC's AO, in which we identified weaknesses detailed in the results of audit.

We gained an initial understanding of the FCC's administrative operations by reviewing FCC directives, GAO reports, Independent Public Accountant reports, and FCC OIG reports and other FCC policies and procedural manuals we deemed relevant.

Our audit included administrative operations at both the FCC's headquarters office in Washington, DC and the FCC's Gettysburg, PA facility. While AO is comprised of the seven components that include various work centers, the scope of this audit only included three of the seven components. Those components, work centers and responsibilities include:

- Administrative Service Center
 - Building Maintenance Requests/Complaints
 - Property Passes
 - Housekeeping Services
 - Non-Information Technology (IT) Equipment Repairs (Typewriters, Date Stamp Machines)
 - Laborer Services
 - Courier Services
 - Conference Room/Conference Call Management
 - Transportation Services

- Office Supplies and Toner Cartridges
- Mail Services
- Asset Management
- Printing/Graphics Services
 - Quick Copy Services
 - Copy Machine Repairs
- Space Management

The scope of our audit did not include the four following AO components:

- Health & Safety
- FCC Facilities
- Contracts & Purchasing
- Security Operations Center.

We randomly selected the months of October 2011, April, May and July of 2012 to perform our testing. We obtained the population of transactions from the FCC's headquarters in Washington, DC and the Gettysburg, PA location for each month tested.

In order to meet our objectives we interviewed key management officials and other appropriate AO personnel to learn about the office's organizational structure, operations and functions. We also reviewed applicable FCC directives and procedural manuals to gain an understanding of AO's policies, procedures and applicable internal controls. We made appropriate inquiries to learn about significant activities that may affect AO's ability to comply with the FCC's directives, policies and procedures.

APPENDIX B – MANAGEMENT’S RESPONSE

Date: January 16, 2014

To: David Hunt, Inspector General

From: Wanda Sims, Associate Managing Director, Administrative Operations

Re: FY 2012 Audit of the FCC Administrative Operations



Thank you for the opportunity to review and comment on the report entitled, "Audit of the Federal Communications Commission Administrative Operations FY 2012." The audit report contains two findings with six associated recommendations that we respond to individually below:

1. Finding 1 - RECORD RETENTION

We recommend that the FCC Administrative Operations' management:

- 1.1 On a periodic basis, reiterate the existing policies and procedures outlined in FCC Directive - FCCINST 1110.1, *Records Management Program*, and applicable NARA regulations.

Management Response: Management will require Asset Management staff to review FCCINST 1110.1, *Records Management Program*, at least annually to ensure compliance.

- 1.2 Work with FCC Information Technology Center to develop procedures to ensure that the content, structure, context and accuracy of electronic records are preserved during system upgrades.

Management Response: The FCC has updated the Remedy system to allow ASC staff to attach the requestors e-mail to the Remedy request. In addition, the Remedy System now sends the requestor an e-mail showing a ticket has been opened.

- 1.3 Monitor toner cartridge usage and assess whether the current procedures should be strengthened to include an approval process for requesting for toner cartridges and tracking the usage.

Management Response: The FCC has updated the Toner Request Form to require an Approving Official Signature and updated our procedures to ensure only approved requests are fulfilled.

- 1.4 Review the files of equipment acquired since 2007 and ensure that the files contain complete equipment records; including purchase orders, receiving reports, and FCC Forms A-521, *Notice of Credit Card Purchase*.

Management Response: Management has implemented new procedures in the warehouse so that items will not be delivered until a purchase order or FCC Form A-521, *Notice of Credit Card Purchase*, is on file at the warehouse. As far as packing slips or bills of lading, we must rely on the vendor to provide these items. We will continue to attempt to obtain packing slips or bills of lading from the vendor, but if we are unsuccessful, we will ensure a copy of the order is in the file. As time permits, the FCC will review equipment orders acquired since 2007 to ensure they are properly documented.

2. Finding 2 - MANAGEMENT OVERSIGHT

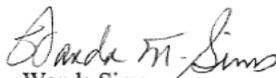
- 2.1 Develop and implement internal control policies and practices that include random reviews and approval of AO performance data reported in the ASC Monthly Report.

Management Response: Management has made sufficient updates to the Remedy system to ensure the needed AO performance data is included in Remedy system. We will eliminate the ASC Monthly Report and use the Remedy reports.

- 2.2 Expand the performance data gathered and reported in the ASC Monthly Report to include number of copies printed monthly by the Quick Copy service.

Management Response: As a result of the updates made to the Remedy System, we will no longer use the ASC Monthly Report. The Printing and Graphics Center currently tracks the number of copies printed by the Quick Copy Service. The Printing and Graphics Center will now use the Remedy system to track and report the number of copies printed monthly through Remedy. Reports on the number of copies from the Quick Copy Service and floor copies are available upon request.

Thank you for the opportunity to respond to these findings as part of the final report. We look forward to working to complete corrective action on these recommendations.



Wanda Sims
Associate Managing Director
Administrative Operations
Office of Managing Director

Cc: Robert McGriff
Gerald Grahe

APPENDIX C – DEFINITIONS

1. Administrative Service Center (ASC) - Receives and responds to maintenance requests, conference room reservations, and office supply orders. Manages FCC asset controls and distributes parking permits and transit benefits.
2. Health & Safety – Manages the Health Center and coordinates Shelter-in-Place and Emergency Preparedness procedures.
3. FCC Facilities Office – Headquarters and Gettysburg, PA parking policies, evacuation procedures, building information.
4. Contracts & Purchasing – Responsible for planning, organizing, implementing and administering the Commission’s procurement of supplies and services.
5. Printing and Graphics Center – Responsible for providing printing services, operating the Quick Copy Center and coordinating copy machine repairs.
6. Security Operations Center – Oversees all aspects of FCC Headquarters’ physical security, including guard staff. The Security Operations Center is also responsible for performing suitability and security investigations and issuance of identification/access cards.
7. Space Management Center – Manages office space assignments and coordinates moves, office re-configurations and building management issues.
8. AO – Administrative Operations
9. QASP – Quality Assurance Surveillance Plan
10. OMD – Office of Managing Director
11. NARA – National Archives and Records Administration
12. FCC – Federal Communication Commission