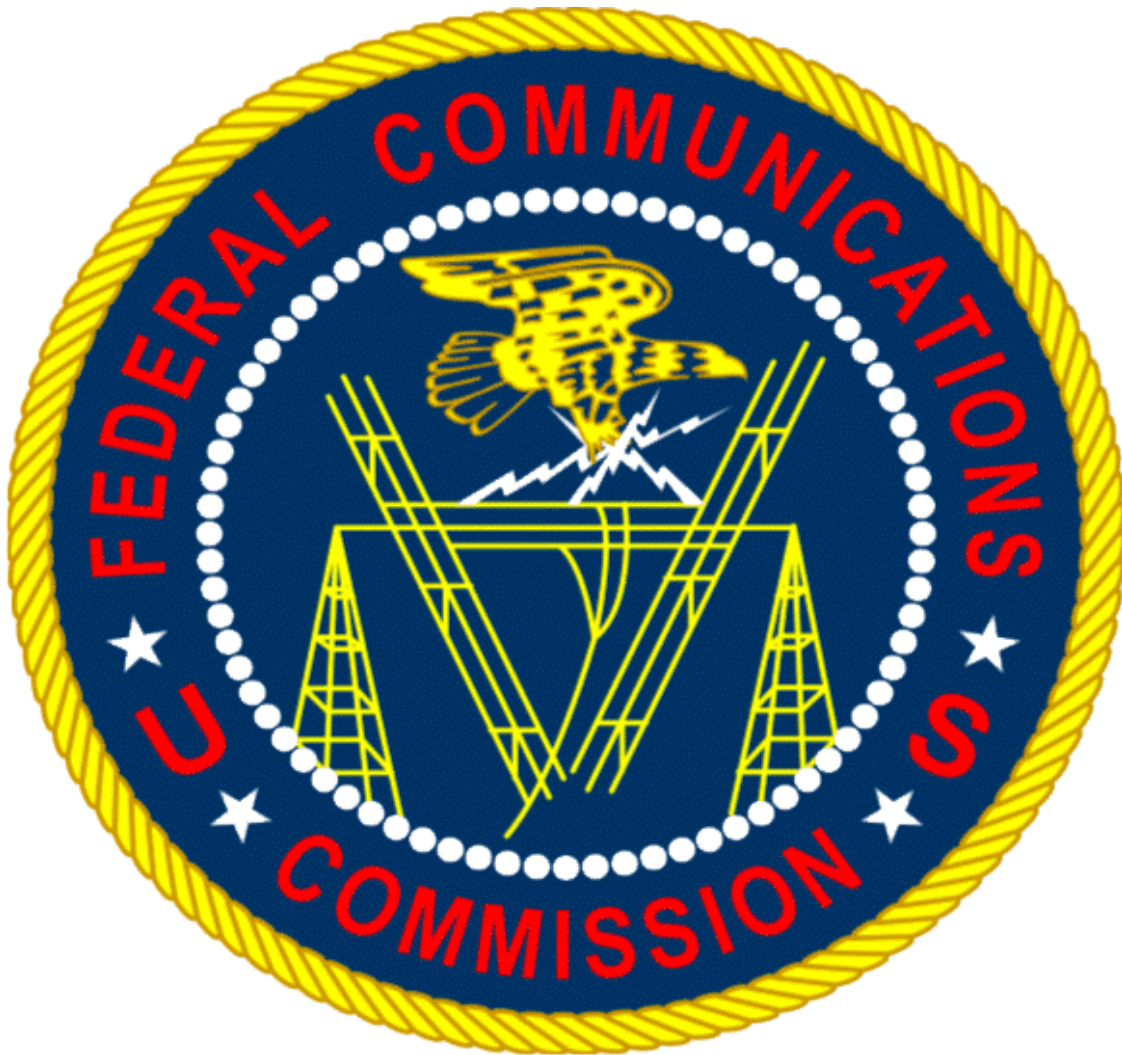


**Federal Communications Commission
Office of Inspector General**



THE FEDERAL COMMUNICATIONS COMMISSION



Left to Right:

**Commissioner Ajit Pai, Commissioner Mignon Clyburn,
Chairman Tom Wheeler,
Commissioner Jessica Rosenworcel, Commissioner Michael O’Rielly**

COVER MEMORANDUM

DATE: March 31, 2016

TO: Chairman Tom Wheeler, Federal Communications Commission
Commissioner Mignon Clyburn
Commissioner Jessica Rosenworcel
Commissioner Ajit Pai
Commissioner Michael O’Rielly

FROM: Inspector General

SUBJECT: Semiannual Report to Congress

In accordance with Section 5 of the Inspector General Act, as amended, 5 U.S.C. App. 3 § 5, I have attached my report summarizing the activities and accomplishments of the Office of the Inspector General (OIG) during the six-month period ending March 31, 2016. In accordance with Section 5(b) of that Act, it would be appreciated if this report, along with any associated report that you may prepare, be forwarded to the appropriate Congressional oversight committees within 30 days of your receipt of this report.

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

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



David L. Hunt
Inspector General

Enclosure

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INTRODUCTION

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

The Federal Communications Commission is composed of five (5) members who are appointed by the president and subject to confirmation by the Senate. Normally, one Commissioner is appointed or reappointed each year, for a term of five (5) years. One of the members of the Commission is designated by the President to serve as Chairman, or chief executive officer, of the Commission. Tom Wheeler currently serves as the Chairman. Mignon Clyburn, Jessica Rosenworcel, Ajit Pai and Michael O'Rielly currently serve as Commissioners. Most of the FCC's employees are located in Washington, D.C. at 445 12th St., S.W. 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.A. App., as amended (IG Act) and to assisting the Commission in its continuing efforts to improve operational and program effectiveness and efficiency. Management matters are coordinated with the Chairman's office. In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the Inspector General (IG), David L. Hunt, reports directly to the full Commission. The principal assistants to the Inspector General are Assistant Inspectors General (AIG) and they are:

Robert McGriff, AIG for Audits

Jay C. Keithley, AIG for Investigations and Counsel

Harold F. Shrewsberry, AIG for Management

In this semiannual report, we discuss both the major accomplishments and activities of OIG from October 1, 2015 through March 31, 2016, as well as its goals and future plans.

OFFICE OF MANAGEMENT

Office Staffing

Currently, OIG is staffed with 42 Full Time Equivalent (FTE) professional staff. We recently added one investigative analyst, two attorney-investigators, two program management analysts and one technical writer to the staff. This additional staff provides us with the ability to enhance our oversight mission and further our mandate to address and reduce fraud, waste and abuse in FCC programs and operations.

Our staff consists of highly-educated, experienced professionals. Training and education are two of our more important mission objectives to ensure we continue increasing the expertise of all staff and to satisfy the training requirements mandated by various professional organizations.

Internship Program

Periodically, we provide internships to qualified applicants from all over the country. The office capitalizes on the strengths they bring into the workforce. Our internship program is designed to provide interns with the opportunity to take on challenging projects, while greatly assisting our staff in completing assignments. Our goal is for interns to leave with a good understanding of how a government agency operates. In return, they are rewarded with the experience of working as a public servant.

OFFICE OF MANAGEMENT

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, the IG and OIG staff participated in several meetings and delivered responses to Congressional inquiries on a variety of topics, and reviewed legislation to determine the impact on the agency and OIG. The FCC's Net Neutrality rules (adopted by the Commission on February 26, 2015 and published in the Federal Register on April 13, 2015) continue to generate interest in both the House of Representatives and the Senate and have been the subject of discussions between OIG and various congressional committees. More recently, issues involving Commission processes, including possible improper disclosure of non-public information, have given rise to congressional inquiries, particularly from Senator Thune, Chairman of the Senate Committee on Commerce, Science and Transportation (Commerce Committee). As we have done over the last few reporting periods, OIG continues to meet with both Republican and Democratic staff of the Commerce Committee and the House Oversight and Government Reform Committee to discuss staffing issues as well as significant developments concerning both audits and investigations.

In addition to our statutorily mandated semiannual report to Congress, we have been providing members of Congress additional semiannual reports regarding open and closed investigations and audit results.

OFFICE OF AUDIT

Under the authority of the IG Act, as amended, the Office of Audit (OA) conducts or contracts for the performance of independent and objective audits, inspections and related activities designed to promote economy, effectiveness and efficiency in Federal Communications Commission (FCC) programs and operations and to prevent and detect fraud, waste and abuse. Audits, inspections and other activities are conducted in accordance with relevant professional standards.

OA includes two reporting divisions - the Operations, Financial, and Information Technology Division (OFID) and the Universal Service Fund Oversight Division (USFD).

Highlights of the work conducted by OA during the current semiannual reporting period are provided below:

Operations, Financial, and Information Technology Division

OFID conducts audits, inspections, evaluations, and other reviews designed to promote economy and efficiency in FCC operations and to prevent and detect fraud, waste and abuse. Mandatory assignments include the Annual Financial Statement audit, the Federal Information Security Management Act (FISMA) evaluation, and the Improper Payments Elimination and Recovery Act compliance audit. As necessary, we contract for audit services with Independent Public Accountants (IPA) firms.

During the reporting period OFID completed two mandatory audits. Additionally, one mandatory audit two discretionary inspections are in process and will be summarized in a future reporting period.

Completed Mandatory Audits

Audit of the FCC Fiscal Year 2015 Consolidated Financial Statements (Report no. 15-AUD-07-08)

Federal law requires the FCC to prepare annual consolidated financial statements and OIG to audit the statements. Under the oversight of OA, Kearney & Company (Kearney), an IPA, performed the audit of the FCC's FY 2015 consolidated financial statements and expressed an unmodified opinion.¹ Kearney's audit resulted in the issuance of two reports dated November 13, 2015.

In the report on internal controls, the auditors reported two repeat significant deficiencies, one of which the auditors determined to be a material weakness². Kearney found that the FCC and USAC continue to lack sufficient reliable controls over their budgetary accounting. As a result of FY 2015 audit procedures, the FCC recorded material audit adjustments to the USF budgetary accounts. Kearney considered this to be a material weakness. Kearney also found that the FCC had not implemented effective policies, procedures, and processes over its information technology (IT) general control environment, financial management system, and third-party operating systems. Kearney considered the aggregation of the IT weaknesses to be a significant deficiency³.

Kearney also issued a report on compliance and other matters, in which it identified an instance of noncompliance with the Debt Collection Improvement Act of 1996 requirements for transferring outstanding debt to the U.S. Department of the Treasury on a timely basis. Management concurred with Kearney's reported findings and recommendations.

¹ An unmodified opinion results when the financial statements present fairly, in all material respects, the financial position and results of operations of the reporting entity, in accordance with U.S. generally accepted accounting principles.

² A material weakness is defined as a significant deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

³ A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

FISMA requires federal agencies to develop, document, and implement an agency-wide program to provide information security for the information and information systems supporting the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source. According to FISMA, “information security” means protecting information and information systems from unauthorized access, use, disclosure, disruption, modification, or destruction in order to provide integrity, confidentiality and availability.

OIGs are required to evaluate agency information security policies, procedures, and practices annually. The evaluations must include testing of a representative subset of systems, and based on that testing, an assessment of the agency’s compliance with FISMA and other applicable requirements. OIG contracted with Kearney to perform the FY 2015 FISMA evaluation. The FY 2015 FISMA Evaluation report was issued on November 23, 2015. In its report, Kearney identified twelve findings and offered thirty-three recommendations. Management generally concurred with the recommendations.

In-Process Audits and Other Projects

OFID had three projects in-process at the close of the semiannual reporting period. Those projects include one mandatory audit and two inspections, and are listed below:

Audit of FCC’s Compliance with The Improper Payments Elimination Recovery and Improvement Act of 2012 (Project no. 15-AUD-12-12)

Inspection of FCC Parking Management Services (Project no. 15-INSP-10-01)

FCC Charge Card Inspection (Project no. 15-INSP-09-02)

Universal Service Fund Oversight Division

USFD conducts audits, evaluations, and inspections of providers and beneficiaries designed to prevent and detect fraud, waste, and abuse. Those oversight activities and related initiatives help promote economy, effectiveness, and efficiency of the Universal Service Fund (USF). The USF provides support through four programs: High Cost, Schools and Libraries, Lifeline, and Rural Healthcare.

The USFD is organized into three operational teams focusing on:

1. High Cost;
2. Lifeline/Contributors; and
3. Schools and Libraries/Rural Health Care.

The **High Cost Program**, which is transitioning to the Connect America Fund (CAF), provides support to certain qualifying telecommunications carriers serving high-cost areas and offering services to rural area consumers at rates reasonably comparable to rates in urban areas. The CAF is designed to transition the program away from providing voice-only telephone service to providing multi-purpose networks capable of offering broadband Internet access. The size of the CAF, including legacy High Cost Program support, is statutorily frozen at \$4.5 billion.

The **Schools and Libraries Program**, also known as “E-rate,” provides support to eligible schools and libraries in every U.S. state and territory for telecommunication services, Internet access, and internal connections. Over 43,000 eligible entities benefited in 2015, receiving approximately \$2.08 billion in approved disbursements, bringing Internet services to millions of students and library patrons. Two major E-rate modernization orders were released during 2014. Those orders further program goals by increasing funding for Wi-Fi networks in elementary and secondary schools and libraries, and for the purchase of high speed broadband connectivity over the next five years.

The **Lifeline Program** provides support to eligible telecommunications carriers that, in turn, offer discounts on telecommunications services to eligible consumers. Over 13 million low-

income households throughout the nation benefited from 2015 program payments of approximately \$1.5 billion.

The **Rural Health Care Program** provides support to eligible rural health care providers, including mobile health centers, hospital pharmacies, and medical training institutions, for telecommunications services and broadband access. In 2015, health care providers in the Rural Health Care Program received over \$278 million in support, and over 2600 health care providers benefited from the program.

Contributors. OA is also responsible for providing oversight and ensuring the accuracy of USF receipts collected from telecommunications providers offering international and interstate telecommunications services, collectively referred to as Contributors. Over 3,100 contributors submitted total contributions of approximately \$8.64 billion in 2015.

The USFD completed three audits during the reporting period and recommended recovery of \$1,721,354 of USF funds. In addition, 11 audits and other projects are in process.

Completed Audits

Lifeline Provider Audit of Mextel Corporation (Report no. 12-AUD-01-14)

On December 22, 2015, we issued a final audit report for Mextel Corporation, doing business as Lifetel (Company). The audit report disclosed two instances of non-compliance with the Lifeline program rules. The Company: (1) was unable to provide adequate support to reconcile invoices from its Incumbent Local Exchange Carrier to the Company's Form 497, Lifeline Worksheet; and (2) failed to include Toll Limitation Services charges on its Lifeline subscriber invoices. USAC management concurred with the report findings and stated it will seek recovery from Mextel in the amount of \$1,653,032.

Audit of Rural Health Care Provider - Kakanak Hospital (Report no. 15-AUD-05-06)

OA contracted with an IPA firm to conduct a performance audit of Kakanak Hospital in Dillingham, Alaska. The objectives of the audit were to determine if the USF beneficiary:

-
-
1. complied with FCC rules, 47 C.F.R. Part 54.500 to 54.680, et. seq., and all applicable orders issued under Section 254 of the Communications Act of 1934, as amended; and
 2. had adequate and effective controls to ensure USF funds were safeguarded and used for the intended purposes.

The audit report for Kanakanak Hospital was issued on March 1, 2016. The audit found that although the hospital generally complied with FCC E-rate program rules during funding years 2010 and 2011, it did not maintain some of the required FCC Forms and Funding Commitment Decision Letters for five years, as required by 47 C.F.R. § 54.619(a)(1). The auditors recommended it maintain all pertinent documentation.

Audit of Amarillo Independent School District (Report no. 15-AUD-04-03)

OA contracted with an IPA firm to conduct a performance audit of Amarillo Independent School District, Amarillo, Texas. The objectives of the audits were to determine if the USF beneficiary:

1. complied with FCC rules, 47 C.F.R. Part 54.500 to 54.680, et. seq., and all applicable orders issued under Section 254 of the Communications Act of 1934, as amended; and
2. had adequate and effective controls to ensure USF funds were safeguarded and used for the intended purposes.

The audit report was completed and issued on January 12, 2016. The audit found that although the District generally complied with FCC E-rate Program rules during funding year 2010, the service provider overcharged the program due to an ineligible item included in the District's application. The auditors recommended the District implement controls to ensure all ineligible services are excluded from their applications and perform a formal reconciliation of its service provider bills to the USAC Quarterly Disbursements Report. The auditors also recommended recovery of \$68,322 from the service provider.

In-Process Audits and Other Projects

Schools and Libraries Data Analytics Research Project

Using prior E-rate audit results and data analytics tools, we plan to develop a methodology to identify high risk E-rate program beneficiaries. With the information gathered, we will plan and perform targeted audits or inspections to determine the validity of discounts claimed by the high risk beneficiaries. Using our new quantitative methodology, OA will improve its effectiveness in detecting any fraud, waste, and abuse or program noncompliance, while requiring fewer resources. The inspection scope will include E-rate program data from the period 2004 through 2014.

Additionally, the following audits are in progress:

Audit of High Cost Transformation Order (Project no. 15-AUD-04-04)

Audit of Phase I of the Connect America Fund (Project no. 15-AUD-09-11)

Audit of Interstate Common Line Support (Project no. 16-AUD-01-01)

Audit of Allegations of Improper Acts by a High Cost Beneficiary (Project no. 15-AUD-02-01)

Audit of Assist Wireless, LLC (Project no. 15-AUD-03-02)

Audit of Nexus Communications (Project no. 15-AUD-07-05)

Audit of National Lifeline Accountability Database (Project no. 15-AUD-10-09)

Audit of Hardy Cellular Telephone Co. (Project no. 14-AUD-08-02)

Audit of Northeast Colorado Cellular, Inc. (Project no. 16-AUD-05-03)

Audit of Orange County Library System (Project no. 15-AUD-07-07)

OFFICE OF INVESTIGATION

OIG Office of Investigation (OI) covers a wide range of topics touching on myriad aspects of the FCC's mission and programs. Most significantly, our investigations often address allegations of criminal misconduct or civil false claims. We deal with complex cybercrime 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 Federal Bureau of Investigation (FBI) and the Department of Justice (DOJ).

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, and whistleblowers. Allegations can also be referred by OIG auditors.

In addition to investigations regarding Commission programs, OI investigates internal affairs and examines 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.

Activity During This Period

At the outset of this reporting period, 96 cases were pending. Over the last six months, 15 cases have been closed and 8 opened. As a consequence, a total of 89 cases are pending. 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.

Statistics

Cases pending as of October 1, 2015 = 96

New Cases = 8

Cases Closed = 15

Cases pending as of March 31, 2016 = 89

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. In this reporting period, in particular, we have been working on numerous investigations upon which we cannot report, including matters before various Grand Juries and sealed qui tams.⁴

Investigations into Fraud in the Federal Universal Service Program

The bulk of the work of OI involves investigating and supporting civil and criminal investigations/prosecutions of fraud in the FCC's federal universal service programs. The AIGI and Investigations staff work routinely with other state, local and federal agencies on these matters. These coordinated investigatory and prosecutorial efforts, especially those involving the Department of Education and its OIG, the DOJ and various U.S. Attorneys, have resulted in

⁴ The qui tam provision of the False Claims Act was enacted specifically to encourage private citizens to come forward with information about entities defrauding federal programs to allow the government a chance to recover funds.

many successes, including civil settlements and criminal convictions. Most of our on-going universal service investigations are not known to the public and even some closed investigations cannot be disclosed because of sensitivities that could impact related ongoing matters. Specifically, OI is handling multiple, ongoing, large-scale investigations involving the E-rate and Lifeline Programs that we hope to share in the near future. Highlighted below are a few matters that have had public developments during the reporting period:

E-rate Investigation

On March 16, 2016, in furtherance of an ongoing investigation, OIG agents assisted the FBI in executing search warrants of several religious schools in New York State. Subsequently, OIG agents conducted independent inventories at several additional schools in the same area.

Referrals from the Enforcement Bureau

In this reporting period, the Investigations and Hearing Division of the Enforcement Bureau referred 12 Notices of Apparent Liability (NALs) involving violations of the Commission's rules governing the provision of Lifeline-supported services to OI. After considering the cases, OI informed the Commission that we will not take any further independent action with respect to 6of the referred NALs, nor would be referring the cases to any other law enforcement entity. We also noted that OI was not concerned that any Commission action would adversely affect ongoing investigations into matters involving those entities. With respect to remaining referrals, we requested that the Commission refrain from further action concerning those matters.

False Claims Act and Qui Tam Work

OI staff continued to work on several qui tams, some of which neared resolution in the reporting period, seeking damages pursuant to the Federal False Claims Act. The cases allege fraud in various Universal Service, as well as in other FCC program areas.

False Claims Act & the Federal Funds Issue

In April 2014, Thomas E. Biddix, along with other defendants, was indicted for his alleged role in a scheme to commit wire and mail fraud related to the Lifeline Program. Defendants were charged with various counts including conspiracy to commit wire fraud, conspiracy to commit money laundering and substantive counts of wire fraud, and mail fraud. Concurrently, in another matter arising out of the Lifeline funding received by the defendant's telephone companies, Biddix was indicted for participating in a scheme to defraud the Brevard Workforce Development Board, an entity that received a grant to support job transition and placement from funds issued pursuant to The American Recovery and Reinvestment Act of 2009 (Recovery Act).

On January 6, 2016, a federal district court in the Middle District of Florida entered a judgment of acquittal in favor of Thomas E. Biddix, as a matter of law, in the Recovery Act case. Germaine to the legal determination was the judge's finding that the funds at issue in the case (funds that primarily originated from the Lifeline Program) were not "federal funds."

This ruling raises the specter that the "federal funds" issue that has been invoked by defendants in civil False Claims Act proceedings concerning USF monies (see discussion in the FCC OIG SAR for the period ending March 31, 2015) will now be raised by criminal defendants as well.

Internal Affairs

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

During this reporting period, OI Internal Affairs Division, opened 3 cases and closed 5 cases.

Employee Violations of Multiple Ethical and Administrative Rules (misuse of Commission facilities to conduct personal business and view pornography and time and attendance abuse)

OIG completed a lengthy investigation stemming from an anonymous Hotline complaint alleging that an FCC employee was improperly engaging in outside business activities. The initial investigation uncovered email communications between the named FCC employee and two additional FCC employees, the contents of which led OIG to expand the scope of the investigation.

The investigation, which included referrals of potential criminal activity to the Internal Revenue Service that were ultimately declined, revealed that four FCC employees violated various ethical and administrative rules, including the FCC's Computer System Rules of Behavior, the FCC's Cyber Security Policy, and the Standard of Ethical Conduct for Employees of the Executive Branch, 5 CFR § 2635 et seq. Investigators found substantial evidence that employees used FCC equipment and resources to carry out activities related to private for-profit businesses; to view, store, and send pornographic material; and for other than authorized purposes such as sending emails and actions related to the distribution of pharmaceuticals without proper labelling, all on federal property. Additionally, the OIG forensic examination revealed extensive evidence that the employees violated FCC and Office of Personnel Management regulations, the Standard of Ethical Conduct for Employees of the Executive Branch, in addition to other federal statutes governing false statements and false claims with respect to reporting of time and attendance.

OIG referred the case to the appropriate Bureaus and Offices within the Commission for action.

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

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 FCC management for appropriate review and action; or
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) (text). 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.

During the current reporting period, OIG received:

1. 3,505 Hotline contacts. Of these, 27 were referred to OIG for possible case openings;
2. 112 were referred to FCC Consumer Center or other FCC Bureaus; and
3. 356 were referred to other agencies including the FTC.

REPORTING REQUIREMENTS

The following are OIG's response to the 12 specific reporting requirements set forth in Section 5(a) of the Inspector General Act of 1978, as amended.

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

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

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

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

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

No significant recommendations remain outstanding. Appendix B discusses reports issued during a previous semiannual period for which audit follow-up or a management decision is pending.

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

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

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

No report was made to the Chairman of the FCC under section 6(b)(2) during this reporting period.

6. A listing, subdivided according to subject matter, of each audit report, inspection reports, and evaluation reports 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.

Each audit report issued during the reporting period is listed according to subject matter and described in the “Office of Audit” section of this report. We reported a total of \$1.7 million of questioned costs during the reporting period (see audit reports no. 12-AUD-01-14 and 15-AUD-04-03 in the section entitled Universal Service Fund Oversight Division). See Table 1 for the status of questioned or unsupported costs reported in the current and prior periods.

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.

8. Statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the total dollar value of 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.

See Table 1 of this report.

10. A summary of each audit report, inspection reports [sic], and evaluation reports [sic] issued before the commencement of the reporting period for which no management decision has 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.

We identified 13 audit and other reports issued before the commencement of the reporting period for which open recommendations or a management decision was pending at the end of the reporting period. Of those 13 reports, 6 were Universal Service Fund audits, and were either in audit resolution or under appeal, in accordance with Section 54.719 of the FCC's rules (Title 47 U.S. Code Section 54.719). We are evaluating management's corrective actions for 1 of the 13 reports through our audit follow-up process. For the remaining six audits a management decision is pending or management has completed some, but not all, corrective actions, and has not provided a date for completion of the remaining corrective actions. See Appendix B for additional details.

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

No management decisions fall within this category.

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

No management decisions fall within this category.

13. Information described under section 05(b) of the Federal Financial Management Improvement Act of 1996.

No reports with this information have been issued during this reporting period.

TABLE 1

OIG Reports with Questioned Costs		
Status of OIG Reports with Questioned Costs	Number of Reports	Questioned/ Unsupported Costs
A. No management decision has been made by the commencement of the reporting period.	6	\$3,631,811
B. Issued during the reporting period.	2	\$1,721,354
C. Management decision made during the reporting period.		
Value of disallowed costs.		
Value of costs not disallowed.		
D. Management decision not made by the end of the reporting period.	8	\$5,353,165

APPENDIX A

Peer Review Results

The Inspector General Act of 1978, as amended, requires OIGs to report the results of peer reviews of their operations conducted by other OIGs, the date of the last peer review, outstanding recommendations from peer reviews, and peer reviews conducted by the OIG of other OIGs in the semiannual period. Peer reviews are conducted by member organizations of the Council of the Inspectors General on Integrity and Efficiency (CIGIE). The required information follows.

Office of Audit peer review results

During this semiannual reporting period, no peer reviews of the OIG's Office of Audit (OA) were completed. The last peer review of OA was conducted by the Government Printing Office (GPO) Office of Inspector General and was completed on September 24, 2013. The FCC-OIG Office of Audit received a peer review rating of "Pass." Two recommendations were noted in the letter of comment accompanying the peer review report. GPO OIG recommended that we update our Audit Manual to include all auditing standard requirements and that we ensure audit recommendations are tracked and resolutions are documented. We have initiated corrective actions for these matters.

Office of Audit Scheduled Peer Review Cycle

In accordance with the schedule established by the CIGIE, the Special Inspector General for Troubled Asset Relief Program (SIGTARP) will be conducting our upcoming peer review. The peer review is expected to begin in April and the report is expected to be issued by September 30, 2016.

APPENDIX B

Reports Issued in Prior Periods for Which a Management Decision is Pending

Report Number	Audit Title	Report Date	Comments
10-AUD-05-03	Pittsburg Unified School District	3/15/2012	Management decision pending
10-AUD-11-01	Audit of Hampstead Hill Elementary School	12/19/2012	Management decision pending
12-EVAL-12-18	FY 2012 Web-Site Assessment	4/24/2013	Audit follow-up pending
12-AUD-12-20	Audit of FCC Compliance with OMB A-130 Audit	3/12/2014	No target completion date provided open recommendations
12-AUD-12-21	Audit of Information Associated with Social Media Use and Personal Identifiable Information	5/20/2014	No target completion date provided
12-AUD-12-19	Audit of FCC Compliance with Red Light Rule: Debt Collection	6/4/2014	No target completion date provided
12-AUD-12-26	Audit of FCC's Civil Monetary Penalties	3/31/2015	No target completion date provided
13-AUD-12-29	Audit of Wireline Communications Bureau	7/29/2015	No target completion date provided.
12-AUD-01-02	Lifeline Audit of Budget PrePay	9/25/2014	Management decision pending
12-AUD-01-04	Lifeline Audit of Easy Telephone	9/30/2013	Management decision pending
12-AUD-01-05	Lifeline Audit Absolute Home Phones	9/30/2013	Management decision pending
12-AUD-01-12	Lifeline Audit of Affordable Phone Service	9/30/2013	Management decision pending.
15-EVAL-07-01	Federal Communications Commission (FCC) Electronic Mail Security Assessment	9/30/2015	Management decision pending

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