

Federal Communications Commission

Office
of the
Inspector General

Semiannual Report to the Congress

April 1, 2001—September 30, 2001



H. Walker Feaster III
Inspector General

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INTRODUCTION

The Federal Communications Commission (FCC) is an independent regulatory agency exercising authority delegated to it by Congress under the Communications Act of 1934 as amended by the Telecommunications Act of 1996. The FCC is charged with regulating interstate and international communications by radio, television, wire, satellite and cable. The FCC's jurisdiction covers the fifty states, the District of Columbia, and U.S. possessions. The mandate of the FCC under the Communications Act is to make available to all people of the United States a rapid, efficient, nationwide, and worldwide wire and radio communication service. The FCC performs four major functions to fulfill this charge:

- Spectrum allocation;*
- Creating rules to promote fair competition and protect consumers where required by market conditions;*
- Authorization of service; and*
- Enforcement.*

The Chairman and four Commissioners are appointed by the President and confirmed by the Senate.

Michael Powell was designated as Chairman on January 22, 2001. Kathleen Q. Abernathy, Michael J. Copps, and Kevin J. Martin serve as Commissioners. One seat is vacant. The majority of FCC employees are located in Washington, D.C. FCC field offices and resident agents are located throughout the United States. FCC headquarters staff are now housed in entirety in the Portals II building located at 445 12th Street, S.W., Washington, D.C. 20554.

The Office of Inspector General (OIG) has dedicated itself to assisting the Commission as it continues to improve its efficiency and effectiveness. The Inspector General (IG) H. Walker Feaster III, reports directly to the Chairman. The OIG staff consists of ten professionals and a student intern. Principal assistants to the IG are: Thomas D. Bennett, Assistant Inspector General (AIG) for Audits, Charles J. Willoughby, AIG for Investigations; and Thomas M. Holleran, AIG for Policy & Planning. Mr. Willoughby also serves as counsel.

This semiannual report includes the major accomplishments and general activities of the OIG during the period April 1, 2001 through September 30, 2001.

CHAPTER 1 - AUDITS

INTRODUCTION

This office has responsibility for conducting a wide range of audit activity covering FCC programs and operations. This activity includes such diverse areas as financial statement audits required by the Chief Financial Officers Act of 1990 (CFO Act); government-wide audits coordinated by the President's Council on Integrity and Efficiency; audits of agency compliance with laws and regulations; and performance audits of FCC programs.

AUDIT REPORTS

Audit of Web Presence Security (Report No. 00-AUD-01-10, June 13, 2001)

The objective of this audit was to measure how successful the Commission has been in securing its web portals. Specific objectives were to:

- *Determine if any conditions existed that could allow external user or hacker to penetrate web server security and cause possible harm to Commission assets;*
- *Ensure that the FCC is not vulnerable to known web-based security attacks; and*
- *Identify vulnerabilities in the general controls over web-based assets.*

Based on our review, we determined that:

- *The FCC had an active and generally effective program for managing the security of the Commission's web presence;*
- *The Commission has implemented numerous security controls designed to protect and preserve its web-based assets; and*
- *Although the Commission has implemented numerous controls, we identified 38 findings - six high risk, 31 medium risk, and one low risk - that impact the effectiveness of the Commission's program.*

We recommend that these findings be corrected to strengthen the security of the Commission's web presence.

The Commission's Information Technology Center (ITC) responded to its portion of the findings and recommendations. They concurred with 28 of the 31 recommendations. One IG finding was eliminated by mutual consent and two other findings ITC pointed out were addressed by events that took place after audit fieldwork was completed.

The Commission's Wireless Telecommunications Bureau (WTB) has indicated concurrence with each of the recommendations for the 20 findings that applied to the bureau. Of these 20 findings, WTB reported that 15 were closed as of May 7, 2001.

Report on the Federal Communications Commission, Fiscal Year 2000, Financial Statements, June 27, 2001 (Report No. 00-AUD-09-52)

At the direction of the Department of the Treasury, the Commission prepared consolidated financial statements in accordance with Office of Management and Budget (OMB) Bulletin No. 97-01, Form and Content of Agency Financial Statements, as amended, and subjected them to audit.

Consistent with the Chief Financial Officers Act of 1990 the OIG contracted with an independent accounting firm, Clifton Gunderson, LLP (CG-LLP), to audit the agency's financial statements in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

CG-LLP issued an unqualified opinion on FCC's FY 2000 Consolidated Financial Statements. CG-LLP opined, the Principal Statements and related notes present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, FCC's assets, liabilities, and net position; net cost; changes in net position; budgetary resources; reconciliation of net cost to budgetary obligations and custodial activity as of September 30, 2000 and for the year then ended.

In performing its testing of internal controls necessary to achieve the objectives in OMB Bulletin No. 01-02, CG-LLP identified matters relating to significant deficiencies in the design or operation of FCC's internal control that, in its judgment, adversely affect FCC's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements.

CG-LLP identified material weaknesses in the areas of:

- *Financial Reporting,*
- *Cost Accounting System,*
- *Universal Service Fund and Telecommunications Relay Service Financial Reporting,*
- *Loans Receivable and Related Accounts, and*
- *Information Technology.*

In addition CG-LLP identified additional reportable conditions not considered to be material weaknesses.

FCC management is responsible for complying with laws and regulations applicable to the agency. CG-LLP's tests disclosed instances of noncompliance with specific laws and regulations required to be reported under Government Auditing Standards and OMB Bulletin No. 01-02 as follows:

- *Chief Financial Officers Act of 1990,*
- *Debt Collection Improvement Act of 1996,*
- *Government Performance and Results Act of 1993, and*
- *Federal Financial Management Improvement Act of 1996.*

FCC management concurred with all recommendations and is taking steps to implement the recommendations.

Special Review of Internet Privacy and Web Cookies (Report No. 01-AUD-05-12, April 10, 2001)

**SPECIAL
REVIEW
REPORTS**

This review was required by Section 646 of the "Treasury and General Government Act, 2001." The general objectives of this review were to evaluate Commission practices related to Internet Privacy and Web Cookies and to provide a report to Congress on these practices.

Specific objectives of the review were to examine: 1) the purpose and use of cookies on FCC web pages; 2) the use of other Internet information collection devices, such as web bugs; 3) what categories of information are collected on the FCC web site; 4) what personal information is collected when people e-mail or submit questions to the agency, including how this information is protected; and 5) the distribution of personally identifiable information to any party outside of government for any purpose.

During our limited review, we found that the Commission was generally complying with federal privacy laws and regulations. The FCC's Chief Information Officer concurred in the OIG report with minor edits.

FY 2001 Government Information Security Reform Act Evaluation (September 5, 2001)

This evaluation was required under the Government Information Security Reform Act (Security Act). The OIG contracted with KPMG, LLP to perform the independent evaluation.

The purpose of this review was to perform an independent assessment of FCC's information security program and practices to ensure proper management and security for the information resources supporting the agency's operations and assets as required by the Security Act.

As of a result of the evaluation, we concluded that the Commission has a generally effective information security program with acceptable practices for managing and safeguarding its information technology assets. However, during the evaluation, some areas were identified for improvement in the FCC's information security management, operational and technical controls. Those issues are being addressed with FCC management in a separate Special Review Report.

The independent evaluation has been incorporated into one document with the Security Act report produced by the Chief Information Officer (CIO). The combined report was submitted to the Office of Management and Budget (OMB) on September 10, 2001.

Report on Verification of Global Management Systems, Inc. Costs Incurred under Contract No. 2700-FCC-97-C-0014 (Changed to C-9800016) (Report No. 01-AUD-04-11, August 28, 2001)

At the request of the Commission's Contracts and Purchasing Center, we performed a review to verify costs incurred by Global Management Systems, Inc. (GMSI) under a contract with the FCC. The objective of the review was to verify costs incurred and billed by GMSI under the contract from inception (January 1, 1997) through contract completion (December 31, 2000). The review was performed under our interagency agreement with the Defense Contract Audit Agency (DCAA). To accomplish the objectives of the review DCAA auditors evaluated GMSI's internal controls and determined control risk; examined evidence supporting the amounts and disclosures in the data and records reviewed; assessed the accounting principles used and significant estimates made; and evaluated GMSI's overall data and records presentation.

Based on the results of the review, we questioned \$25,248 of the \$476,896 in costs incurred and billed by GMSI under the contract. GMSI did not concur with our findings and has failed to respond to a letter issued to them requesting a written response. Management has not made a final determination as of this report date.

Report on Pre-Award Accounting System Survey of Neu-Star, Inc. (Report No. 01-AUD-07-24, April 25, 2001)

At the request of the Commission's Contracts and Purchasing Center, we conducted a pre-award accounting system survey of NeuStar, Inc. (NeuStar). The objective of this survey was to

determine whether NeuStar's accounting system would adequately accumulate, segregate, and report costs under prospective Government contracts.

This survey was performed under our interagency agreement with the DCAA. To accomplish the objective of this survey, DCAA auditors evaluated NeuStar's accounting system internal controls associated with identifying, accumulating, and reporting direct and indirect costs; identifying and segregating unallowable costs; maintaining adequate timekeeping and labor distribution systems; and supporting billings based on cost information from currently posted data.

Based on the survey, we found NeuStar's accounting system to be adequate for accumulating, segregating, and reporting costs under prospective government contracts.

FLOORCHECK REPORTS

OIG continued its practice of performing unannounced floorchecks of selected FCC contractors. The objective of a floorcheck is to evaluate labor charging and timekeeping practices. These were performed by the DCAA under our interagency agreement with them. The following floorchecks were performed during this period:

Report on Audit of Labor Charging and Timekeeping Practices of Vistronix, Inc. (Report No. 01-AUD-07-25, June 5, 2001)

We identified the following instances of Vistronix, Inc. (Vistronix) employee deficiencies with timekeeping requirements:

- *Hours recorded in advance,*
- *No explanation for timesheet error correction,*
- *No work authorization document, and*
- *Employees were unaware of the FCC OIG Hotline.*

Vistronix concurred with the findings and promptly implemented corrective measures. We consider their corrective actions to be

adequate.

Report on Audit of Labor Charging and Timekeeping Practices of AAC Associates, Inc. (Report No. 01-AUD-07-26, June 5, 2001)

We identified the following instances of AAC Associates, Inc. (AAC) employee deficiencies with timekeeping requirements:

- *Timesheets were not adequately controlled,*
- *No explanation for timesheet error correction,*
- *No work authorization document, and*
- *Employees were unaware of the FCC OIG Hotline.*

AAC concurred with the findings and promptly implemented corrective measures. We consider their corrective actions to be adequate.

**REPORT
AVAILABILITY**

OIG reports can generally be obtained via the internet from the OIG website www.fcc.gov/oig. However, OIG reports containing sensitive or proprietary information will be restricted to specific individuals and organizations with a need to know the detailed information.

**ONGOING
ACTIVITY****Audit of the Commission's FY 2001 Financial Statement**

This audit is being performed as part of our continuing effort to support management efforts to align the FCC's financial accounting and reporting systems with applicable accounting principles and standards, federal laws and regulations, and policy guidance. This is important both internally to the Commission's operations and necessary in support of the audit of the Consolidated Financial Statements of the United States. The Department of the Treasury requests "non-CFO" agencies, such as the FCC, to annually verify financial data submissions recorded in its Federal Agencies' Centralized Trial-Balance System II (FACTS). In response to this request, the FCC prepares financial statements in accordance with Generally Accepted Accounting Principles (GAAP) for the Federal Government to facilitate verification of its FACTS transmissions.

The objective of this audit is to provide an opinion on the FY 2001 financial statements. With the assistance of an independent public accounting firm, the OIG plans to continue initiatives to address reengineering financial management at the FCC. Specific tasks will include performing procedures necessary to comply with OIG audit and verification requirements from OMB and the Department of the Treasury, respectively. Follow-up procedures will address any identified material weaknesses and reportable conditions from the FY 2000 audit.

Audit of the Commission's Implementation of GPRA

The Government Performance and Results Act of 1993 (GPRA) is intended to improve the efficiency and effectiveness of federal programs through the establishment of specific goals for program performance. Specifically, the Act requires the FCC to prepare multi-year Strategic Plans, Annual Performance Plans, and an Annual Performance Report to be issued by March 31 annually, with a first-ever Performance Report to be issued by March 31, 2000. The Director, Office of Management and Budget, has called upon Inspectors General to "assess agencies' technical compliance with the Results Act as well as their capacity to

comply from a data and systems perspective.”

On March 26, 1999, the OIG issued an audit report entitled “Report on Audit of the Federal Communications Commission Implementation of the Government Performance and Results Act (GPRA).” In that report, the OIG provided the Chairman with our initial analysis of Commission activity towards meeting the initial GPRA mandated requirements. The report identified the need to more clearly define specific outcome-oriented performance goals to serve as the basis for the March 31, 2000 Annual Performance Report. The objective of this audit is to identify measures taken to address the findings in our initial report and to independently review and assess the Commission’s Strategic Plan and initial Annual Performance Report. Fieldwork on this audit was initiated in June 2000.

Audit of Financial Management of Auction Proceeds

This audit is being conducted as part of our continuing effort to support management efforts to align the FCC’s financial accounting and reporting systems with applicable accounting principles and standards, federal laws and regulations, and policy guidance. The Omnibus Budget Reconciliation Act of 1993, as amended on August 10, 1993, added a new section 309(j) to the Communications Act of 1934. This amendment to the Communications Act gave the FCC express authority to employ competitive bidding procedures to choose from among mutually exclusive applications for initial licenses. In addition to providing the Commission authority to auction licenses, the amendment gave the Commission the authority to receive reimbursement for the cost of implementing this means of allocating spectrum.

The Managing Director requested this audit in response to our request for input into the FY 2001 Audit Plan. In his request, the Managing Director asked the OIG to explore the “reasons for two separate procedures, staff and processes.” The primary objective of this review is to evaluate the possible duplication of operations performed within the Wireless Telecommunications Bureau (WTB) and the Office of the Managing Director (OMD). As part of the review, we intend to evaluate the need for two separate budget procedures, staff and processes for preparing budget authorization(s), and reporting the use of proceeds. The objective of our

review is to assess the effects, if any, of duplicating activities and functions. Fieldwork on this audit was initiated in August 2001.

Audit of Loan Portfolio and Related Activity

The Federal Communications Commission has a loan portfolio comprised of approximately 2,000 installment payment plans. In recent years, the portfolio received increased scrutiny due to its materiality on the FCC's financial statements. On the fiscal year (FY) 2000 Consolidated Balance Sheet, these loans comprised 66 % and 63 % of FCC assets and liabilities, respectively. To mitigate concerns regarding past contractor operations and to prepare auditable balances, the Commission contracted with a public accounting firm to review and recalculate loan balances since inception. Although this action resulted in significant changes to internal control, loan balances, and source documentation, several recent changes affect the internal control associated with FCC's loan activity. In FY 2000, FCC contracted with a loan service provider to manage and maintain its loan portfolio. In addition, FCC developed and partially implemented the Revenue Accounting and Management Information System (RAMIS), which is planned to become the system of record for FCC's loan activity in the future. During FY 2000, the Financial Operations office reorganized and reassigned responsibilities impacting the loan environment.

The primary objective of the audit is to assess the transition of the portfolio from FCC to a loan service provider environment. Fieldwork on this audit was initiated in August 2001.

Audit of the Commission's Transit Subsidy Program

This audit was initiated at the request of the Office of Managing Director (OMD). The objective of the audit is to evaluate the Commission's Transit Subsidy Program to ensure that program controls are adequate to detect and prevent fraud, waste, and abuse. To accomplish the audit objective, the OIG will assess the policies and procedures issued by the Commission for the transit subsidy benefit program for compliance with applicable regulations and union agreements. In addition, we will test the internal controls the Commission has established to ensure compliance with the

program requirements and test employee compliance with the program participation requirements. Based on the results of our review of policies and procedures and program testing, we will reach an overall opinion as to the program's control system and compliance with requirements and identify areas where operational improvements can be made. Fieldwork on this audit was initiated in March 2001.

Follow-up Audit of Consumer Center Information Technology (IT) Security

On June 21, 2000, the OIG issued a Special Review Report, entitled "Report on Audit of Computer Controls at the FCC National Call Center," summarizing the results of our review of Information Technology (IT) at the Commission's Consumer Center located in Gettysburg, PA. In that report, we noted that significant technical control and internal control improvements could be made to improve the overall security posture of the Consumer Center. The report contained 103 specific observations in the area of internal controls including: Security Program Planning and Management, Access Controls, Application Software Development and Change Controls, System Software, Segregation of Duties, and Service Continuity. Accordingly, the review team concluded that the computer system general controls as implemented at the Consumer Center are not sufficient to meet minimum security requirements.

The objectives of this audit are to: (1) follow-up on specific observations identified in our Report to ensure appropriate corrective actions have been implemented; and, (2) evaluate the information systems security posture of the Consumer Center. This follow-up review will serve to assess the Commission's efforts to address audit observations and recommendations contained in this program area. Fieldwork on this follow-up audit was initiated in September 2001.

Pilot Audit of Universal Service Fund (USF) Recipient

During FY 2001, the OIG worked closely with representatives from the Common Carrier Bureau (CCB), OMD, DCAA, and USAC, to develop a comprehensive program for auditing the recipients of Schools and Libraries funding. We designed the program to provide the Commission with systematic insight into the compliance with rules and requirements on

the part of the beneficiaries and those vendors providing goods and services. Our program is comprised of two corollary and complimentary efforts. First, we will conduct audits at a sample of beneficiaries large enough to allow us to derive conclusions regarding beneficiary compliance at the program level. Second, we will establish a process for vigorously investigating allegations of fraud, waste, and abuse in the program.

To implement the audit component of our program, we have been working closely with DCAA to design a nationwide audit program that allows us to derive conclusions regarding beneficiary compliance at the program level based upon the results of audits at selected recipients. At our direction, DCAA statisticians have analyzed the database of fund beneficiaries and designed an audit sample that reflects the characteristics of the universe of beneficiaries. In addition, DCAA has developed a risk assessment process and a standard audit program for use by field auditors. As part of the process of developing our audit program, we determined that it was necessary to conduct a pilot audit of a recipient of Schools and Libraries funding.

In September 2001, we initiated an audit of the Edgemeade School of Maryland (Edgemeade), a recipient of \$174,826 in schools and libraries funding during year 2 of the program. The objective of audit is to determine if: (1) Edgemeade spent the funds on approved goods and services; (2) Edgemeade uses the equipment for its intended purpose; (3) the vendor procurement process complies with FCC/local requirements, results in adequate competition, and ensures that the approved goods and services are provided, and; (4) Edgemeade's application is accurate and the discount percentage is correct. The final audit program for schools and libraries fund recipient audits will be updated to reflect "lessons learned" during this pilot audit.

Special Review of the Commission's Workplace Violence Program

Preventing workplace violence is a growing concern in the United States and is a frustrating problem facing federal agencies today. Workplace violence can adversely impact the economy, efficiency, and effectiveness of organization operations and raises profound concerns about the safety of employees and public conducting business with the government. In fact,

according to a recent document prepared by the U. S. Department of Labor, approximately 2,000,000 people throughout the country are victims of non-fatal violence at the workplace every year. The Department of Justice reports that violence is the leading cause of fatal injuries at work with about 1,000 workplace homicides each year. Although the OIG and Commission have evaluated aspects of the workplace violence program, the OIG has not examined other critical portions of the program or assessed the overall effectiveness of the program.

The objective of this Special Review is to conduct a risk assessment of the FCC's workplace violence program. This risk assessment will consider all aspects of the Commission's workplace violence program. The risk assessment will be accomplished by examination and evaluation of FCC policies and procedures, review of prior security and security-related studies and reports, interviews with appropriate FCC management and staff, comparisons to appropriate benchmarks and "best practices", and other evaluation tools the contractor identifies as useful and relevant. Fieldwork on this Special Review was initiated in May 2001.

**CONSULTING
& ADVISORY
SERVICES**

OIG personnel provide a wide variety of consulting and advisory services to the Commission. Consulting and advisory services range from formal review of a matter resulting in a written report to informal discussion and comment. During this semiannual reporting period, OIG personnel provided consulting and advisory services in the areas of financial management, management of information technology, procurement, and Commission programs and operations.

Consumer Centers

OIG staff met with representatives from the Consumer Information Bureau (CIB) several times during the reporting period to provide advice on actions taken by the FCC Consumer Centers. Topics discussed included audit advice on contracting for consumer center staff in terms of cost efficiency and program performance, the reporting and tracking of consumer center performance statistics, and other CIB initiatives for customer call-taking and information system improvements. We will continue to provide consultation to CIB upon their request and will utilize these discussions in future audit planning.

Contracts and Purchasing

In the OIG's efforts to provide comprehensive contract audit services to the FCC's Contracts and Purchasing Center, the OIG also advises the Commission's contracting officers (COs) on contract and contractor financial and performance matters that do not require contract audits. For example, during the reporting period, audit staff advised the Manager of the Commission's Contracts and Purchasing Center on a final billing question. We advised that, even though claimed subcontractor costs were over one year old, the contractor was still entitled to payment. However, we also recommended that the Contracts and Purchasing Center should request the OIG to audit contractors' final billings in order to close out completed contracts.

Systems Development Life Cycle

Auditors from the OIG are working closely with Commission personnel in the use of the Systems Development Life Cycle (SDLC). OIG auditors participated with representatives from the FCC's Information Technology Center (ITC) and the International Bureau (IB) on the development of new systems and the enhancement of current systems.

Universal Service Fund (USF)

OIG management and staff have been heavily involved in providing audit advice and guidance on the USF to numerous offices during the reporting period. We have met with the OMD, the Office of General Counsel (OGC), CCB, and the program administrator, the Universal Service Administrative Company (USAC) on numerous occasions. These consulting services were provided as part of our on-going oversight of the USF.

The topics where we have provided assistance in the current reporting period include coordinating audit plans with USAC's auditors, legal and audit ramifications on such outstanding issues as financial statement presentation and investigative support, administrative and programmatic revisions initiated by USAC, and rulings and guidance promulgated by CCB.

Web Accessibility

The OIG provided advisory and assistance service to the Commission and other Inspectors General on Web Accessibility. Web accessibility refers to the ability of individuals with disabilities in providing access by the disabled to Internet web sites. OIG staff attended working sessions on web accessibility with Bureaus and Offices and shared best practices on web accessibility from other federal agencies and subject matter experts. Also, OIG staff provided technical advise on web accessibility to the Inspector General, Appalachian Regional Commission.

Financial Management

OIG provided responses to the Department of the Treasury, Financial Management Service's (FMS) United States Government Standard General Ledger Questionnaire. FCC's Chief Financial Officer requested that the OIG respond to the questions from an audit perspective as requested by FMS. OIG financial management staff provided the completed questionnaire to Financial Operations personnel which forwarded a consolidated FCC responses to FMS' United States Standard General Ledger Branch.

OIG provided comments and observations on FCC's process for closing its imprest funds in accordance with Department of the Treasury guidelines. FCC's Chief Financial Officer requested the OIG review and comment on FCC's plans, notifications, and procedures prior to implementation. The OIG provided its comments and observations via four attachments to the draft documentation submitted for review.

OIG continued advisory service to FCC's financial statement compilation. The OIG continues to provide advisory service and assistance to FCC financial management staff in this area. Recent topics include implementation of OMB Bulletin No. 01-09, Form and Content of Agency Financial Statements (revised) and OMB Bulletin No. 01-02, Audit Requirements for Federal Financial Statements.

OIG also continued advisory service to FCC's Federal Agencies' Centralized Trial-Balance (FACTS) team. OIG financial management staff continues to provide advisory and assistance to FCC regarding FACTS in order to meet Department of the Treasury requirements in the Treasury Financial Manual (TFM). Recent topics include complying with the TFM requirement for reconciliation and confirmation of Federal intra-governmental balances.

SPECIFIC REPORTING REQUIREMENTS of the INSPECTOR GENERAL ACT

The following summarizes the Office of Inspector General response to the twelve 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.

No such problems, abuses or deficiencies were disclosed during the reporting period.

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

No recommendations were made. See the response to paragraph (1).

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

No significant recommendations remain outstanding.

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

One case associated with the Commission's Universal Services program has been referred to the Department of Justice.

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 the reporting period.

6. A listing, subdivided according to subject matter, of each audit 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.

Each audit report issued during the reporting period is listed according to subject matter and described in part II, above.

7. A summary of each particularly significant report.

Each significant audit and investigative report issued during the reporting period is summarized within the body of this report.

8. Statistical tables showing the total number of audit reports with questioned costs and the total dollar value of questioned costs.

The required statistical table can be found at Attachment A to this report.

9. Statistical tables showing the total number of audit reports with recommendations that funds be put to better use and the total dollar value of such recommendations.

The required statistical table can be found at Attachment B to this report.

10. A summary of each audit report 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 such management decision has not been made, and a statement concerning the desired timetable for achieving a management decision on each such report.

No audit reports fall within this category.

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



ATTACHMENT A

Table I. OIG Audit Reports With Questioned Costs

Inspector General Reports With Questioned Costs	Number of Reports	Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period.	3	\$1,064,276	\$253,453
B. Which were issued during the reporting period.	1		25,248
Subtotals (A + B)	4	\$1,064,276	\$278,701
C. For which a management decision was made during the reporting period.	0		
(i) Dollar value of disallowed costs			
(ii) Dollar value of costs allowed			
D. For which no management decision has been made by the end of the reporting period.	4	\$1,064,276	\$278,701
Reports for which no management decision was made within six months of issuance.	3	\$1,064,276	\$253,453

ATTACHMENT B

Table II. OIG Audit Reports With Recommendations That Funds Be Put To Better Use

Inspector General Reports With Recommendations That Funds Be Put To Better Use	Number of Reports	Dollar Value
A. For which no management decision has been made by the commencement of the reporting period.	0	0
B. Which were issued during the reporting period.	0	0
Subtotals (A + B)	0	0
C. For which a management decision was made during the reporting period.	0	0
(i) Dollar value of recommendations that were agreed to by management.		
- Based on proposed management action.		
- Based on proposed legislative action.		
(ii) Dollar value of recommendations that were not agreed to by management.		
D. For which no management decision has been made by the end of the reporting period.	0	0
For which no management decision was made within six months of issuance.	0	0

CHAPTER 2—INVESTIGATIONS

OVERVIEW

Investigative matters pursued by this office are generally initiated as a result of allegations received directly through the OIG hotline or from FCC managers and employees who contact the OIG directly. Investigations may also be predicated upon audit or inspection findings of fraud, waste, abuse, corruption, or mismanagement by FCC employees, contractors, and/or subcontractors. Upon receipt of an allegation of an administrative or criminal violation, the OIG usually conducts a preliminary inquiry to determine if an investigation is warranted. Investigations may involve possible violations of regulations regarding employee responsibilities and conduct, federal criminal law, and other regulations and statutes pertaining to the activities of the Commission. Investigative findings may lead to criminal or civil prosecution, or administrative action.

The OIG also receives complaints from the general public, both private citizens and commercial enterprises, about the manner in which the FCC executes its programs and oversight responsibilities. All complaints are examined to determine whether there is any basis for OIG audit or investigative action. If nothing within the jurisdiction of the OIG is alleged, the complaint is usually referred to the appropriate FCC bureau or office for response directly to the complainant. A copy of the response is also provided to the OIG. Finally, matters may be referred to this office for investigative action from other governmental entities, such as the General Accounting Office, the Office of Special Counsel or congressional offices.

ACTIVITY

Five cases were pending from the prior period. An additional 17 complaints were received during the reporting period. Over the last six months 11 cases have been closed. Of those cases, two were determined to be outside the jurisdiction of this office and were referred to law enforcement entities for criminal investigation. 11 cases are still pending. All of those 11 involve the Commission's Universal Service Fund program. They have been referred to the Federal Bureau of Investigation, and the investigations are ongoing. The OIG continues to monitor and coordinate activities regarding these investigations.

STATISTICS

<i>Cases pending as of March 31, 2001</i>	<i>5</i>
New Cases	17
Cases Closed	11
<i>Cases pending as of September 30, 2001</i>	<i>11</i>

**SIGNIFICANT
CASE
SUMMARIES**

- *The OIG initiated an inquiry into allegation of improper use of a FCC employee's name to acquire government rate for hotel room in conjunction with a government-sponsored event. The OIG found no evidence of employee misconduct. The investigation revealed that another person who was legitimately attending the event had the same name of the Commission employee and the acquisition of the government rate under the circumstance was appropriate. Accordingly, the matter was closed.*
 - *The OIG initiated an inquiry into allegation that Commission employees in the performance of their official duties, among other things, failed to perform legal obligations, apply law and did not process pleadings filed by an organization . The OIG found no evidence of employee misconduct. It was determined that employees performed their duties as part of administrative authority and while decisions may have been erroneous or not rendered expeditiously, such actions did not constitute misconduct, and the matter was closed.*
 - *The OIG conducted an inquiry into a referral to the FBI by a FCC employee of an allegation by a citizen of possible illegal wiretapping by citizen's former employer. The OIG found no evidence of misconduct in light of the lack of authority by the Commission to conduct criminal investigations. The matter was closed.*
 - *The OIG conducted an investigation into alleged improper conduct by an employee who attended an " ex parte" meeting. The alleged conduct consisted of employee agreeing not to disclose information presented as part of an "ex parte" presentation. The presenters submitted an "ex parte" filing generally outlining the information presented. Through investigation, the OIG found insufficient evidence to substantiate the allegations and consequently concluded that no misconduct occurred. The matter was closed.*
 - *The OIG conducted an inquiry into allegations of misconduct by employees in a Commission field office. The alleged misconduct concerned misuse of Commission phones and vehicles, and time and attendance irregularities. Through*
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investigation, the OIG determined that the alleged conduct was de minimis, did not violate applicable standards of conduct and thus did not rise to the level of fraud, waste or abuse constituting misconduct.

- *The OIG conducted an inquiry into allegations of improper conduct by the Commission concerning the Commission's administrative consideration of a particular matter. It was determined that the alleged conduct was policy related and pertained to the merits of a pending administrative matter, and thus did not fall within the jurisdiction of the OIG.*
 - *The OIG conducted an inquiry into allegations that an employee had improperly leaked information that had not been publicly released concerning a matter that was under consideration by the Commission. The information, which was contained in a draft final decision of the Commission, was allegedly disclosed or released while the draft was being circulated among Commissioners. The OIG determined that the information was disclosed in the course of meetings between Commission personnel and representatives of the party to the proceeding. Further, it was determined that the information was disclosed for the purpose of eliciting a response from the party to a particular allegation. Based on the circumstances of the disclosure, the OIG found no evidence of misconduct and the matter was closed.*
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CHAPTER 3 - IG HOTLINE

HOT LINE CALLS

The OIG Hotline is manned by a trained Hotline Technician who provides calling parties with assistance in the processing of their complaints.

During this reporting period, the OIG Hotline numbers, (202) 418-0473 and (888) 863-2244, received approximately 750 calls. About 80% of these calls were referred to the FCC's Consumer Center in Gettysburg, Pennsylvania for appropriate handling. The remaining calls, except for a small number, were referred to other Federal, state, or local agencies. The small number of calls that fall within the purview of this Office received from the Hotline, plus direct calls to the Inspector General and the AIG for Investigations, are processed in accordance with established investigative standards.



CHAPTER 4 - LEGISLATION

OVERVIEW

Pursuant to section 4(a)(2) of the Inspector General Act of 1978 (IG Act), as amended, our office monitors and reviews existing and proposed legislative and regulatory items for their impact on the Office of the Inspector General and the Federal Communications Commission programs and operations. Specifically, we perform this activity to evaluate their potential for encouraging economy and efficiency and preventing fraud, waste, and mismanagement.

ACTIVITY

The Counsel to the IG continued to monitor legislative activities affecting the activities of the OIG and the FCC.

During this period, this office continued to monitor those legislative proposals which directly or indirectly impact on the ability of Designated Federal Entity IGs to function independently and objectively. Those specific proposals concerned proposals to consolidate OIGs and to directly and/or indirectly draw distinctions between presidentially– appointed IGs and Designated Federal Entity IGs, which may have the effect of undermining the role of the latter.



Report Fraud, Waste or Abuse to:

Office of the Inspector General
Federal Communications Commission



CALL

Hotline: **202/418-0473**

OR

888/863-2244 Toll Free

OR

<http://www.fcc.gov/oig/>



You are always welcome to write or visit.

Federal Communications Commission
Portals II Building
445 12th St., S.W.—Room #2-C762
