

OFFICE OF INSPECTOR GENERAL

MEMORANDUM

DATE: December 19, 1994

REPLY TO  
ATTN OF: Acting Inspector General

SUBJECT: Audit of The Advisory Committee  
on Advanced Television Services (OIG 95-2)

TO: Managing Director

At the request of your office, auditors assigned to the Office of Inspector General (OIG) audited the operations of The Advisory Committee on Advanced Television Service (hereafter referred to as the Committee). The auditors found that internal controls and supporting records are sufficient to provide necessary assurance that the funds of the Committee are being properly maintained and expended in conjunction with applicable regulations and guidelines.

BACKGROUND

The Committee was empanelled by the Federal Communications Commission (FCC) on October 1, 1987, to develop recommended "policies, standards, and regulations that would facilitate the orderly and timely introduction of advanced television services in the United States." The Committee is chartered in accordance with the Federal Advisory Committee Act (FACA), and its parent committee is composed of 25 voting members, as well as an unspecified number of ex officio members, throughout government and industry.

FCC Directive FCCINST 1126.1, Subject: Federal Advisory Committees, sets forth the FCC's policy, administrative guidelines, and management controls relative to advisory committees as required by the Federal Advisory Committee Act, Stat.770, and Executive Order 12024 (42 FR 61445, 3 CFR, 1977 Comp., p. 158).

On October 17, 1989, Edward J. Minkel in his capacity as the Managing Director, approved the Committee request for private funding by employees or representatives who serve on the advisory committee. In doing so, the Managing Director placed a number of specifications on the fund handling and accountability.

The Managing Director required that the bank (Crestar) handling the Committee's account be

given the name of four people listed in the Reimbursement Procedures so that they will not honor any other signatures. The Cash Handling Procedures of the Committee requires that "all checks be signed by any two of the four people listed in the Reimbursement Procedures."

The Managing Director also instructed the Committee to perform a monthly reconciliation of the cash receipts and cash disbursements journal to the bank statements and ensure that an annual audit be performed of the fund.

On September 2, 1992, auditors from the FCC's Common Carrier Bureau (CCB), issued a report on the status of Committee funds for the period of July 1, 1988 through the period ending June 30, 1992. This represented the initial audit of the Committee since its inception.

The audit report identified four "minor deviations" in the application of the internal controls for the audit period. One deviation was reported as follows:

Annual audits were not performed on the private funds received by the Advisory Committee on ATS, for the period ended, June 1989 and the years ended June 30, 1990 and 1991 as required by the rules. Apparently this was an oversight by both the FCC and the Advisory Committee on ATS, as each party thought the other party was responsible for the performance and scheduling of the audit.

The auditors also noted that the required dual signatory rule on all disbursement checks was not adhered to in two instances and that in one case a receipt for a taxi over \$25 was not retained. Finally, one party making a contribution to the Committee was not authorized to do so as they were ex officio members of the Committee and not members of the Advisory Committee.

## PURPOSE AND SCOPE

This audit was performed to provide an independent assessment as to the integrity of Committee funds. Audit emphasis was placed on evaluating compliance with internal controls for handling deposits and ensuring that all disbursements were valid and supportable. All cash receipts, bank charges and disbursements from the period of July 1, 1992 through November 30, 1994 were examined and traced back to monthly bank statements and journals maintained by the bookkeeper.

## AUDIT RESULTS

Results of the audit reflect that the internal controls established over the Committee's funds are being properly administered. All cash receipts, interest accrued to the account, bank charges and disbursements were reconciled from the monthly bank statement to the accounting journals. As of November 30, 1994, the monthly account statement from Crestar bank reflected a balance of \$22,425.25 in the Committee's account. This amount reconciles with figures maintained by the Committee.

In response to the request of the Chairman that members of the Advisory Committee transmit \$3,000 in Fiscal Year (FY) 1993 to sustain the Committee, the Committee received a total of seventeen checks totaling \$51,000. All checks were transmitted by authorized parties and deposited to the proper account. However one member, Westinghouse, inadvertently posted two checks of \$3,000 each to the Committee dated June 8, and June 15, 1993, respectively. Thereafter, the duplicate payment was identified by the bookkeeper and a remittance check of \$3,000 was transmitted to Westinghouse on August 1, 1993.

As previously noted, the scope of the audit was the Committee's account for FY 1993 and FY 1994. The finances of the Committee were not subject to the appropriate audit for FY 1993 as required by FCC Directive FCCINST 1126.1 Section 13 and the Funding statement of the Committee Section III. (iii).

### CONCLUSION

The auditors are of the opinion that the financial reports of the Committee are reconcilable to the statements provided by Crestar bank from the period of July 1, 1992 through November 30, 1994. Furthermore, it is our opinion that all receipts and expenditures were appropriate within the guidelines as promulgated in FCCINST 1126.1.

H. Walker Feaster III

cc: Richard E. Wiley,  
Chairman Advisory Committee on ATS