

EXECUTIVE DIGEST

This special review report reflects the results of work that was performed by the Office of Inspector General (OIG) related to Commercial Mobile Radio Service (CMRS) licensing and fee collection databases. Our findings reflect that licensing data maintained by the Wireless Telecommunications Bureau (WTB) and the associated regulatory fee collection data base maintained by the Billings and Collection Branch (BCB), Office of the Managing Director (OMD) are not reconcilable. Thus, the auditors were unable to determine which FY 1996 licensees had paid the required fees within the designated filing period per the schedule published in FCC Public Notice 75516 dated August 1, 1997¹.

The condition cited above results from the lack of a mechanism to reconcile the segregated data bases maintained by WTB and OMD which do not have a common data entry feeder stream. OIG efforts to perform such a reconciliation were offset by the lack of any common data fields other than station call sign which proved to be unreliable. Accordingly, the FCC cannot attest to which FCC CMRS licensees have paid annual regulatory fees per Public Law 103-66, "The Omnibus Budget Reconciliation Act of 1993."

In a joint response to the draft report (see Attachment 1), the Chief WTB and Managing Director (MD) indicated concurrence with OIG findings. They stated that "the regulatory fee collection database maintained by OMD and the CMRS database maintained by WTB cannot be reconciled." And, while they note that the two databases "were never designed to be reconciled" they concur with the OIG that "with revenue falling short of expectations...it is an ideal time to create links " between the CMRS licensing database and the collections database.

BACKGROUND

Section 9(a) of the Communications Act of 1934, as amended, authorizes the Commission to assess and collect annual regulatory fees to recover the costs, as determined annually by Congress, that it incurs in carrying out enforcement, policy and rulemaking, international, and user information activities. For FY 1997, Congress required that the FCC collect \$152,523,000 through regulatory fees to offset the Commission's costs.

Once the Commission determines the amount of fee revenue needed to be collected from each class of licensee, the individual revenue requirements are divided by the number of associated payment units to obtain actual fee amounts for each fee category. For CMRS, in FY 1997 this permutation translated into a fee of \$.24/unit.

¹ Licensees, whose fee payments were due in September 1997, were to base their payment upon telephone number or unit count as of December 31, 1996. Any data omission, erroneous or incomplete data submission, or payment deficiency per the Public Notice "may result in a 25% monetary penalty, dismissal of pending actions, and/or revocation of ant authorization."

On October 29, 1997, the MD transmitted a memorandum to the OIG entitled "Audit of Selected CMRS Regulatory Fee Payers." In that memorandum, the MD noted that the FCC had exceeded its overall Congressionally mandated fee collection goal in FY 1997, however, with regard to CMRS, the FCC had witnessed a "continued shortfall in receipts from CMRS licensees...." Given this fact, the MD went on to state that "it would be appropriate to perform an audit of these payments to identify which companies, if any, have failed to pay their regulatory fees, or which have failed to pay 100% of their legitimate fee liability."

The OIG incorporated the request of the MD in the FY 1998 Audit Plan and held an entrance conference on February 11, 1998. At that entrance conference the Deputy Managing Director-Operations requested that, due to the volume of work being experienced by BCB, audit fieldwork be delayed until a later date. The Inspector General honored this request and delayed audit fieldwork until June 1998.

OBJECTIVE

The established objective of the audit was to determine whether the FCC received FY 1997 regulatory fees consistent with PL 103-66 and Public Notice 75516 and whether related data maintained within the FCC was captured in a timely and accurate manner with sufficient documentation to support the transaction. The objective was to further identify internal FCC policy and procedures used to validate accuracy of licensee payment amounts.

Specifically, the auditors' sought to internally:

1. Identify cost accounting basis for regulatory fee formulation.
2. Obtain records as to CMRS fee payments received during the filing window and outside of the filing window. These records were to be compared to data residing on FCC form 159-Remittance Advice.
3. Match CMRS licensing database records maintained by WTB to fee payment records maintained by OMD in order to validate data or detect irregularities.
4. Perform late payment analysis to identify whether licensees submitting outside the filing window were assessed (and paid) a 25% late-payment penalty.

Subsequent to performing steps 1 through 4 above, the audit plan incorporated the auditors utilizing statistical sampling techniques to select licensees for further examination. Specifically, Report and Order FCC 97-384 adopted October 17, 1997 required CMRS licensees "maintain, and submit upon request, documentation supporting the calculation of their fee payments." OIG auditors during survey work had been made aware that the MD had not instituted a program to: (1) request licensee submission of fee

payment supporting documentation; and, (2) assign and train personnel to perform appropriate analysis of data submissions.

RESULTS OF SPECIAL REVIEW

The FCC does not have a methodology in place to ensure compliance with Public Law 103-66. The CMRS licensing database maintained by WTB is not reconcilable to the collection database maintained by OMD. The Commission has focused on meeting congressionally mandated regulatory fee collection thresholds and has not established a system of records which would allow the Commission to validate CMRS regulatory fee payments to ensure that they are current, accurate, and complete. Thus, the Commission lacks the basis to identify CMRS licensee compliance with Public Law 103-66 and annual Public Notices that establish regulatory fee filing requirements and payment windows.

Government Auditing Standards, promulgated by the General Accounting Office (GAO), establish requirements for determining the reliability of computer-based information. The GAO "yellow book" states that "(w)hen computer-processed data are an important or integral part of the audit and the data's reliability is crucial to accomplishing the audit objectives, auditors need to satisfy themselves that the data are relevant and reliable."

To ascertain the integrity of Commission records associated with CMRS licenses and regulatory fee payment information, we attempted to match CMRS licensing database records maintained by WTB to fee payment records maintained by OMD. As part of our review, we requested CMRS licensing information from the WTB and CMRS payment information from the BCB. In June 1998, OMD and WTB provided electronic copies of the requested database material. OMD provided all CMRS payment records in one (1) database. WTB provided five (5) databases containing CMRS license information. Following receipt of the material, we conducted the following procedures:

- developed record layouts for each of the database files provided;
- examined each database to ensure an understanding of the structure and content and to identify fields to be included in the assessment;
- used Microsoft Excel to merge CMRS database files into a common file and sort the merged file by field = "callsign";
- used Microsoft Excel to re-structure the CMRS payment file to include only information relevant to the assessment and to sort the file by field = "callsign";
- printed a significant portion of each of the modified databases and manually compared the data using the callsign identifier.

During our initial assessment, we identified a significant number of discrepancies between the payment and licensing databases. For example, when we attempted to verify that payments had been received for licenses reported in the WTB licensing database, we determined that only sixteen point nine percent (16.9%) of the twenty-five hundred (2,500) licenses examined had corresponding payment information in the payment database (422 matches divided by 2,500 records = 16.9%). In addition, when we attempted to verify that licenses existed for each payment received, we determined that only fifty-nine point one percent (59.1%) of the seven hundred twelve payment (712) records examined had corresponding license information (421 matches divided by 712 records = 59.1%). We forwarded the results of our preliminary assess to representatives from WTB and OMD. After discussing the steps taken to conduct the assessment, OMD and WTB agreed to evaluate the data to determine the cause of the discrepancies.

Following review, OMD and WTB provided a series of explanations for the discrepancies. OMD reported that they reviewed "200 of the items listed on the WTB report" and that they were able, by searching the collection system, to identify a small number of the licenses we were unable to locate. In addition, OMD reported that they searched manual submissions for companies for which we were unable to identify payments. They reported that, in some cases, it appears that Mellon Bank did not enter all relevant information or that companies would provided a listing of callsigns and Mellon Bank would not adequately enter all of the listed callsigns. OMD also provided an updated database of FY 97 CMRS payments in which errors identified in their assessment were corrected.

In addition to the reasons cited by OMD in their response, WTB reported a number of reasons for the discrepancies. WTB reported that the data provided in the original extract for our review did not, for some CMRS services, include licenses cancelled after December 31, 1996 (i.e., licensees for which a payment was identified with no corresponding license in the WTB database). In addition, WTB identified several cases in which payments were received even though no payment was required. As a result of their evaluation, WTB agreed to re-pull a data extract for FY97 CMRS licenses.

Following receipt of "corrected" CMRS license and payment databases, we performed the same set of procedures as during the original assessment except that we did not combine the various license databases. In this way, we attempted to determine if discrepancies were associated with the CMRS service. We evaluated FY 1997 CMRS Cellular Radio Licenses and Paging Licenses. We reviewed one-thousand two-hundred eight-eight (1,288) CMRS Cellular Radio licenses which were reported to be valid as of December 31, 1998 and were unable able to identify payment for forty-three point one percent (43.1%) of those licenses (555 with no record of payment divided by 1,288 records evaluated = 43.1%). We reviewed one-thousand seventy-seven (1,077) FY 1997 CMRS Paging licenses which were reported to be valid as of December 31, 1996 and were unable to identify payment for seventy-nine point six (79.6%) of those licenses (858 with no record of payment divided by 1,077 records = 79.6%).

Based upon the results of this assessment, we concluded that we could not place reliance on the CMRS data contained in either the licensing system maintained by WTB or the collection system maintained by OMD.

When reliable data is available within the FCC, the OIG will initiate audit activity. This activity will entail (1) contacting CMRS licensees to request submission of fee payment supporting documentation and, (2) performing appropriate analysis of data submissions necessary to arrive at an audit opinion as to entity compliance with applicable rules and regulation.