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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. William E. Kennard was confirmed as Chairman on October 29, 1997. Harold W. Furchtgott-Roth, Michael Powell, Gloria Tristani and Susan P. Ness serve as Commissioners. The majority of FCC employees are located in Washington, DC. 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, SW, Washington D.C. 20554. Office of Inspector General (OIG) personnel continue to work with the FCC Security Officer to evaluate overall building security and develop recommendations as appropriate to best ensure the safety and integrity of FCC staff and operational systems.

The 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 is now located in the West wing of the Portals II in the FCC headquarters building at 445 12th Street, SW, Washington, D.C. 20554. Paul Brachfeld serves as the Assistant Inspector General for Audits (AIGA) and Charles J. Willoughby serves as the Counsel and Assistant Inspector General for Investigations (AIGI).

This report includes the major accomplishments and general activities of the OIG during the period April 1, 1999, through September 30, 1999, in accordance with Section 5 of the Inspector General Act of 1978, as amended 5 U.S.C. App. 3, 5.

Highlighted OIG Activity

☛ Year 2000

The OIG has taken an active role in working with Commission representatives to prepare the FCC for the Year 2000 (Y2K). On August 16, 1999, the OIG issued an audit report to the Chairman, which contained specific recommendations to assist in providing reasonable assurance of uninterrupted operations of all mission critical systems. The OIG has continued to dedicate resources to monitoring ongoing Y2K related activity and is assessing efforts to independently test and validate mission critical systems and develop and test business continuity and contingency planning.

☛ Spectrum Auctions Activity

The Commission remains actively involved in the auctioning of spectrum as authorized by the U.S. Congress in the Omnibus Budget Reconciliation Act of 1993. The OIG dedicated resources towards evaluating and testing the security and reliability of automated systems dedicated to the successful conduct of all phases of spectrum auctions. The emphasis on spectrum auctions extends towards the assessment of the collectibility of delinquent debts that have arisen out of the spectrum auctioning process and evaluating the portfolio management activities of the FCC to ensure that these practices minimize losses to the Government. The FCC OIG participated in a multi-agency OIG review entitled "PCIE/ECIE Review of Non-Tax Delinquent Debt." Fieldwork was completed during this reporting period and a draft report circulated for comment. Final report issuance is targeted for October 1999. The OIG also issued a final special review report on September 28, 1999, addressing the physical security of the Auctions system.

☛ Financial Statement Audit Activity

In this reporting period, the FCC OIG, with the support of an independent CPA firm, initiated a three-tier audit approach, which will culminate in the rendering of an opinion on the FCC's FY 1999 financial statements. The work will be performed in accordance with generally accepted auditing standards (GAAS), generally accepted government auditing standards (GAGAS), and Office of Management and Budget (OMB) Bulletin No. 98-08. This effort will represent the first comprehensive financial statement audit since the FCC converted to a new financial system. The work will result in: (1) a comprehensive planning document; (2) internal control compliance testing; and, (3) performance of substantive financial audit testing necessary to render an opinion on the FCC's FY 1999 financial statements.

☛ **Contract Audit Activity**

OIG contract auditors identified questioned costs totaling \$578,285 during this reporting period. The OIG also reviewed documentation provided by a FCC contractor, disputing an OIG questioned subcontractor labor cost of \$236,000. Auditors reviewed reported to the Chief, Contracts and Purchasing Center that the documentation did not support their claim.

☛ **Field Inspections**

During this reporting period, OIG staff conducted field inspections at the Chicago Regional Directors Office and field offices that report to him - Chicago, Philadelphia, Detroit and New York. The OIG conducts field inspections in order to independently assess and report upon the effectiveness and efficiency of field operations. The Field Inspection Program (FIP) also serves as a means to evaluate and test internal controls, address employee concerns, identify best practices and conversely impediments to operations. A summary report and individual field location reports will be developed and issued in the next reporting period.



FCC's new headquarters facility located at 445 12th Street, SW, Washington D.C.

Audits

OVERVIEW

During the reporting period, The OIG issued five audit reports as follow:

- 1. May 6, 1999- Audit of FCC Purchase Card Program*
- 2. May 14, 1999- Contractor Employee False Labor Charges*
- 3. July 12, 1999- Audit of Global Management Systems Inc.*
- 4. August 16, 1999- Audit of FCC Year 2000 Program*
- 5. September 28, 1999- Audit on Auctions Physical Security at the Portals*

Audit reports can generally be obtained via the Internet at the FCC website: www.fcc.gov. However, special review and audit reports containing sensitive or proprietary information will be restricted to specific individuals and organizations with a need to know.

AUDIT ACTIVITY RESULTING IN REPORTS ISSUED

Report on Audit of the Federal Communications Commission Purchase Card Program – Audit Report No. OIG 98-06 Issued May 6, 1999

On October 13, 1994, Congress enacted the Federal Acquisitions Streamlining Act of 1994 (FASA). FASA was designed to streamline the acquisitions process and better align government with commercial practices and empower contracting officers with maximum flexibility wherever possible. FASA also encouraged agencies to use government-wide commercial purchase card and electronic purchasing techniques to the maximum extent practicable.

The OIG determined that the FCC developed comprehensive policies and procedures for making purchase card transactions of goods and services up to \$25,000 that are in compliance with Federal Acquisitions Regulations. However, even though all FCC cardholders and approving officials were formally trained in their FCC Government Purchase Card Program responsibilities, auditors found that certain FCC employees were not in compliance with internal control policies and procedures. The OIG recommended that appropriate measures be taken to ensure employee compliance with applicable FCC Directive FCCINST 1097.1. Management concurred with this recommendation.

Report Quantifying the Loss to the Government Resulting From Contractor Employee's False Labor Charges Report No. OIG 99-06 Issued May 14, 1999

Based upon an allegation received by the OIG, auditors conducted an analysis of potential contractor labor hours false claims made to the Commission from November 1998, through March 1999. As a result of our analysis, the OIG substantiated that contractor employees fraudulently charged the Commission for hours, which were not worked in accordance with contract provisions. The OIG developed questioned costs in the amount of \$15,492.38. The contractor concurred with the OIG findings.

The matter was referred to the U.S. Attorneys Office for the District of Columbia, which declined prosecution in this matter because each of the contractor employees' false claims failed to meet the dollar threshold established by that office for criminal prosecution.

Report on the Audit of Global Management Systems, Inc. (GMSI) Constructive Change Proposal Report No. OIG 99-07 Issued July 12, 1999

As requested by the Chief, Contracts and Purchasing Center, the OIG audited the direct labor billing constructive change proposal of Global Management Systems, Inc. (GMSI) to determine whether the proposed increased costs were acceptable as a basis for negotiation. Our audit resulted in questioned costs of \$540,793 of the \$2,843,872 GMSI proposed in its constructive change order proposal for increased direct labor billing rates.

The contractor justified its proposal by representing that they could not afford to retain their employees working on the FCC contract, as existing labor rates were inconsistent with current labor rates for identical positions. Auditor analysis disclosed that GMSI labor categories were within current market standards and that most of the contractor's increased billing rates resulted from burdening the labor rates with unacceptably high overhead and general and administrative (G&A) rates. In addition, the auditors found that the contractor submitted inadequate cost or pricing data in its constructive change order proposal, which would not support negotiation of a fair and reasonable price to the Commission.

Audit of FCC Year 2000 Program Report No. 99-03 Issued on August 16, 1999

OIG auditors reported that the Commission has made progress addressing the Year 2000 problem. However, the internal FCC Year 2000 program activity has not adequately addressed a critical component of the readiness process in a timely manner. For example, the auditors reported that:

K The Commission did not establish an Independent Verification and Validation (IV&V)

process to independently assess the effectiveness of Year 2000 renovation and validation efforts in a timely manner.

K The Commission did not adequately address Business Continuity and Contingency Planning (BCCP) should mission critical systems fail due to the Year 2000 event or other disruptions.

K The Commission did not test replacement/renovated mission critical information systems For specific conditions related to the Year 2000.

The findings identified above were attributed by program managers to delays in obtaining requisite funding and competing priorities such as the move of the Commission to the Portals facility. This consolidation of Commission personnel and related workstations and servers placed a heavy burden on network personnel. The Managing Director concurred with the three audit recommendations proposed by the IG based upon the findings identified above.

The Chairman was advised that the OIG would continue to dedicate staff and resources towards evaluating the progress of the Commission in addressing this date certain event. Auditors continue to evaluate the status and performance of IV&V activity and efforts to develop and test a BCCP for the twenty-two (22) mission critical systems identified by the Commission. As noted in our prior semiannual report, the nature of the work performed at the FCC, and the customers that we serve, make the security and integrity of our information systems a paramount consideration.

Audit of Auctions Physical Security at the Portals Audit Report No.99-11 Issued on September 28, 1999

The OIG has designated the physical and application security of the Auctions System (hereafter referred to as Auctions) facility a high priority area for ongoing audit coverage. When the Auctions component of the Wireless Telecommunications Bureau (WTB) was relocated from 2 Massachusetts Avenue to the Courtyard of the new Portals facility, the OIG was requested by WTB to perform an updated evaluation of Auctions security. The objective of this audit was to determine whether the FCC's Portals facility had sufficient security safeguards to protect Auctions data. The audit also evaluated whether FCC security characteristics were in accordance with federal requirements maintained in Office of Management and Budget (OMB) Circular A-130, the Computer Security Act of 1987, FCC Directive: FCCINST 1479.1, and the Oklahoma City Bombing Report: GAO/T-GGD-98-141.

The report identified to management specific recommendations designed to improve Auctions physical security. Management concurred with all recommendations and has or is in the process of addressing corrective measures. Many of the OIG recommendations will upon adoption improve physical security for the entire Portals facility.

In deference to security concerns, the distribution of this report was restricted and as such, will not be published on our Web-site.

ONGOING OIG AUDIT ACTIVITY

Financial Statement Audit

On January 21, 1999, the OIG, in coordination with the FCC's Chief Financial Officer (CFO), contracted with an independent public accounting firm (IPA) for audit services in order to assist the OIG in rendering an opinion on the Commission's fiscal year (FY) 1999 financial statements. While presently the FCC is not a covered agency under the Chief Financial Officers Act of 1990 (CFO Act), the OIG incorporated within the scope of this work, that the audit meet the full rigor's of a CFO scope audit. Subsequently, the IG representatives and CFO met with Treasury Department officials from the Financial Management Services (FMS) who reinforced this decision. FMS officials noted that the amount of non-tax delinquent debt owed the FCC as a result of the auctioning of spectrum (approximately \$9 billion dollars) necessitates that the Commission verify its financial statements to the centralized Treasury Department Federal Agency's Centralized Trial Balance System (FACTS II). Such a resolution requires the Commission to prepare agency-wide financial statements. To accomplish our audit objective, the financial audit process was segmented into three (3) tasks: Comprehensive Audit Planning, Internal Control Compliance Testing, and Financial Audit Substantive Testing and Opinion. The IPA issued the first deliverable, the Comprehensive Planning Document (CPD), on September 7, 1999 and has begun some Task 2 internal control compliance testing work.

The CPD details the IPA understanding of the FCC's profile, laws and regulations, internal control structure, primary and related general ledger accounts, and accounting and computer systems. The CPD further documents the IPA's:

- Specific Control Evaluations (SCE) of each of the FCC's primary and related account group assertion, control objectives, compliance with applicable laws and regulations, control techniques employed to meet each control objective, whether or not computerized, and the effectiveness of the FCC's control techniques;*
- Assessment of each primary account groups control risk in order to determine the nature and extent of substantive testing needed to render an opinion on that account group;*
- Description of its overall audit approach, including the timing of the audit work, sample selection, databases to be used, internal control work, and substantive testing; and,*

- *Audit guides detailing specific audit objectives, analytical procedures, control testing, and substantive testing the IPA will use to conduct the audit.*

The CPD also provides the OIG and the CFO with a blueprint of the Commission's financial reporting system and related internal controls. With that information, the CFO can focus his office's efforts on the areas within the Commission needing improvement or change. The IG will also use the CPD as a planning document for future audits. As of this report date, the IG is working with the IPA to refine and edit the CPD to make it as comprehensive as possible for the financial audit, the CFO, and the OIG.

Contract Audit Activity

To maximize efficiency and effectiveness of operations, the Commission continues to rely upon contract personnel to provide unique expertise to support Commission initiatives. This is most apparent in the information technology environment. OIG auditors continued to work closely with the Chief, Contracts and Purchasing Center to ensure proper contracting procedures were consistently followed throughout the Commission. The OIG has also worked to increase the caliber of contract administration and worked to evaluate the basis and validity of contractor billings.

Labor Floor Checks- In conjunction with the Manager, Contracts and Purchasing Center, the OIG performs unannounced labor timekeeping reviews (floor checks) of contractor employees and subcontractors performing services to the Commission under cost reimbursable contracts. This encompasses collecting timesheets and interviewing selected employees and subcontractors to determine the reliance that can be placed on the contractors timekeeping system and resulting labor charges to contracts. Failure to adhere to proper timekeeping policies and procedures may result in determining that the contractor's current accounting system is not adequate for recording, accumulating and billing labor charges on cost reimbursable government contracts.

During this reporting period, the OIG conducted a labor floor check review of one contractor performing contractual services to the FCC. OIG observations disclosed that several contractor and subcontractor employees failed to follow the contractor's timekeeping policies and procedures by not keeping their timesheets on a current basis and/or not completing their timesheets in the prescribed manner. The OIG recommended that employees be reminded of their responsibility for adhering to proper timekeeping procedures and, should the above continue, contractor management initiate appropriate disciplinary action. The contractor concurred with OIG findings and immediately initiated corrective actions.

Contract Advisory Services - The OIG also advises the Commission's contracting officers (COs) on contract and contractor performance matters that don't warrant full contract

audits performed in conformance with generally accepted government audit standards (GAGAS) in its efforts to provide comprehensive contract audit services to the FCC's Contracts and Purchasing Center. The OIG performed the following contract advisory services during this reporting period:

- A contractor failed to pay its subcontractor for work performed last year under an annual maintenance agreement for Auctions equipment. At the request of the CO the OIG researched this issue resulting in the OIG advising the CO that the non-payment matter appeared to be a contractor/subcontractor matter, which does not involve the FCC. However, the CO could require the contractor to pay its subcontractors before it could invoice the government for reimbursement under the contract. The OIG further recommended that the CO should investigate this payment issue to determine whether the FCC can require small business contractors to pay subcontractors before requesting reimbursement from the government.*
- The CO requested OIG advise when they discovered that a contractor over-billed the FCC approximately \$22,000 by billing one of its Technical Writers as a Management Analyst. The contractor billed the FCC for services rendered at the Management Analyst position after soliciting the FCC's Contracting Officer's Technical Representative (COTR) for a contract modification to add the Management Analyst, but failed to notify the CO and submit the appropriate contract modification. Based upon OIG advise, the CO demanded a \$22,000 repayment from the contractor after they failed to submit and negotiate a proper contract modification with the CO.*

OIG auditors also continued to provide technical input and assistance to the Chief, Contracts and Purchasing Center in addressing a contract dispute matter between a prime contractor and the FCC. In a prior reporting period, the OIG questioned subcontract labor costs billed to the FCC by the prime contractor of approximately \$236,000. The prime contractor has disputed the OIG findings and submitted a counter claim of approximately \$288,000. At the request of the Chief, Contracts and Purchasing Center, the OIG reviewed documentation provided by the contractor to "support" their counterclaim. The OIG determined that the documentation submitted did not support their claim. The OIG continues to support the original questioned cost finding.

Non-Tax Delinquent Debt

In response to concerns raised by the Subcommittee on Government Management, Information and Technology, Committee on Government Reform and Oversight, as to the amount collectable of non-tax delinquent debt, the President's Council on Integrity and Efficiency (PCIE) sponsored a multi-agency review. The review was to focus upon reaching a determination as to the amount of non-tax delinquent debt and the amount of this debt that could be collected. As the FCC carries on its books significant amounts of debt owed by

successful Auctions bidders, the FCC was asked to participate in this review.

In September 1999, the OIG issued a series of draft reports reporting upon the results of this review. At close of this reporting period, the OIG was awaiting formal written response to these draft reports.

Regulatory Fees

On November 24, 1998, the OIG issued the Audit of Commercial Mobile Radio Services Licensing and Fee Collection - Audit Report No. OIG 98-8. This special review report reflected the results of work that was performed by the 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 fees within the designated filing period per the schedule published in FCC Public Notice 75516 dated August 1, 1997.

This condition resulted 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 signs which proved to be unreliable. Accordingly, the auditors determined that 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, the Chief WTB and Managing Director indicated concurrence with OIG findings.

On May 11, 1999, OIG staff met with representatives of the General Accounting Office (GAO) to discuss audit findings contained in this report as well as those in our Collections System report issued in September 1998. Subsequently the GAO referenced our audit activity in their report entitled "FCC Does Not Know if All Required Fees are Collected" issued in August 1999.

Government Performance Results Act

OIG audit staff continue to monitor the FCC's activity related to the Government Performance and Results Act of 1993 (GPRA). GPRA is intended to improve efficiency and effectiveness of federal programs through the establishment of specific goals for program performance. The Office of Management and Budget (OMB) has called upon Inspector Generals 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 the first in what will be a series of GPRA related reports entitled, “Final Report on the Audit of the Federal Communications Commission’s Implementation of the Government Performance and Results Act (GPRA).”

Staff Auditors also continued to support the Assistant Inspector General for Investigations in conducting investigations that involved alleged impropriety on the part of contractors and their personnel.

Investigations

OVERVIEW

Investigative matters pursued by this office are generally initiated as a result of allegations received 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 such 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.

ACTIVITY DURING THIS PERIOD

During this reporting period, eleven complaints were received in the OIG. Eight of the complaints have resulted in the initiation of investigations or preliminary inquiries, and seven of the eight matters were closed. Five complaints were closed because of determinations of no violations of standards of conduct by FCC employees. Three complaints were closed because they were found not to merit further action. Two were closed and awaiting action by management. One complaint is still pending.

The four cases pending at the beginning of the period were closed. Three were closed because of determinations that insufficient evidence existed to find any violations of standards of conduct by FCC employees or contractors. One was closed because the allegations were found not to warrant further action.

STATISTICS

<i>Cases pending as of March 31, 1999</i>	4
<i>New cases</i>	11
<i>Cases closed</i>	14
<i>Cases pending as of September 30, 1999</i>	1

SIGNIFICANT INVESTIGATIVE CASE SUMMARIES

- *The OIG continues to monitor the matter concerning an employee at the FCC's Laurel laboratory facility who was videotaped allegedly stealing government supplies from the facility on multiple occasions. An investigative report was issued on April 9, 1998. The matter was also referred to the Federal Protective Service for consideration of criminal charges. Federal law enforcement authorities have declined to prosecute. Disciplinary action has been taken against the employee. The employee has appealed the disciplinary action and the appeal is currently pending before management.*

- *On October 28, 1998, the OIG received a request from Senator Trent Lott on behalf of a constituent of the Senator to investigate allegations by the constituent that a Commission employee was improperly involved in a decision rendered by an administrative law judge of the Commission with respect to the constituent's license application. Prior to becoming a Commission employee, the employee who is an attorney had represented a party in a matter before the Commission. Following his employment with the Commission, the employee terminated his representation of the party.*

The constituent suspected that after the employee ceased his representation of the individual, he continued his involvement in the matter and was influential in the final decision rendered by the Commission. An inquiry was initiated which included an interview of the complainant. As a result of the inquiry, the OIG determined that neither the employee nor the bureau in which he was employed played any role with respect to the decision of the administrative law judge. Accordingly, the allegation was found to be without merit and the matter was closed.

Subsequent to the OIG's initial determination and at the behest of Senator Lott's office, on March 18, 1999, OIG staff met with the constituent, who had traveled to Washington. The constituent indicated that he believed that the administrative law judge who had heard the matter had discriminated against him in rendering the decision. The matter was reopened for the limited purpose of addressing the constituent's allegations

concerning the conduct of the administrative law judge. The OIG was unable to find any evidence of misconduct on the part of the administrative judge and the matter was closed.

- *On February 2, 1999, the OIG initiated an investigation into allegations that two employees conspired to submit false and/or fraudulent time and attendance records. The specific allegations included allegations that one of the employees fraudulently accrued credit hours and failed to properly record used leave, and the other as timekeeper fraudulently approved the accrual and failed to properly record used leave, resulting in one of the employees using more leave than had been accrued and the agency having paid for that erroneous leave. The OIG was unable to find sufficient evidence to conclude that either of the employees committed acts constituting potential misconduct. Further, the OIG found that the agency's time and attendance procedures did not provide for adequate supervision and monitoring of the time and attendance of employees. The OIG's findings have been reported to management and the matter has been closed.*
- *On April 21, 1999, the OIG received a complaint that an employee had misused his position by misrepresenting an employee's grade classification on travel documents for the purpose of the employee receiving upgraded accommodations while on official travel. An inquiry was initiated. The OIG was unable to find sufficient evidence to establish misconduct on the part of a Commission employee and the matter was closed.*
- *On May 5, 1999, the OIG received an anonymous complaint that a Commission employee was allegedly conducting a real estate business on Commission premises during normal working hours. Further, it was alleged that the employee had on numerous occasions arrived late at work and had departed early without having taken leave on those occasions. An investigation was initiated. The OIG was unable to find sufficient evidence to indicate that the employee did in fact conduct a real estate business on Commission premises. While this office could not determine that a real estate business was being conducted, it was determined that during the period of time in question, there were significant periods of time that the employee appeared not to have worked, not to have taken leave and was paid. The OIG has reported its findings to management and the matter is pending before management for action.*
- *On May 2, 1999, the OIG received a complaint that an employee was spending a significant amount of time during normal working hours accessing the Ebay auction program on his Commission computer workstation. Based on the information received, an investigation was initiated. As a result of the investigation, it was determined that during the period in question the employee did in fact expend a significant amount of time during normal working hours accessing the auction program on a Commission workstation. The OIG's findings have been reported to management and the matter is pending before management for action.*
- *On June 7, 1999, the OIG received a complaint alleging discrimination by the*

Commission with respect to the processing of petitions for rulemaking from individuals compared to such petitions from organizations. Specifically, among other things, it was alleged that the Commission discriminated against individual petitioners of requests for proposed rulemaking by granting undue influence and favoritism to organizations and abusing procedural rules and regulations. An investigation was initiated into the matter including how petitions for rulemaking filed by individuals as well as by organizations are processed.

The OIG was unable to find any evidence of misconduct on the part of Commission employees with respect to the processing of the complainant's rulemaking petition. While it was determined that there was a backlog of requests for rulemaking of which complainant's was one and steps appear to have been taken to alleviate that backlog by, among other things, consolidating similar or related requests where appropriate, the OIG did not find any evidence of discriminatory practices by the Commission with respect to the processing of individual and organizational petitions for rulemaking. The matter has been closed.

- *On September 3, 1999, the OIG received a complaint alleging that two employees had submitted false time and attendance records. An inquiry was initiated. The OIG found insufficient evidence of the submission of false time and attendance records by either employee to warrant investigation. Accordingly, the matter has been closed.*

- *On September 27, 1999, the OIG commenced an investigation into allegations of employee misconduct with respect to the presentation of a matter before the Administrative Law Judges of the Commission. The investigation is currently pending.*

HOTLINE CALLS

During this reporting period, the OIG Hotline Technician received eighty-six (86) hotline calls to the published hotline numbers of (202) 418-0473 and 1-888-863-2244 (toll free). The OIG Hotline continues to be a vehicle by which Commission employees and parties external to the FCC can contact the OIG to speak with a trained Hotline Technician. Callers who have general questions or concerns not specifically related to the missions or functions of the OIG office are referred to the FCC National Call Center (NCC) at 1-888-225-5322. Examples of calls referred to the NCC include complaints pertaining to customers phone service and local cable providers, long-distance carrier slamming, interference, or similar matters within the program responsibility of other FCC bureaus and offices.

Legislation

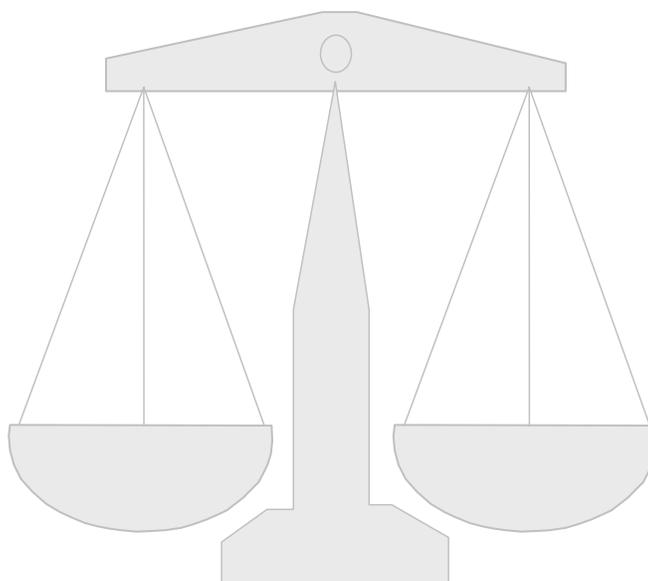
OVERVIEW

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 DURING THIS PERIOD

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

During this period, this office monitored 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.



Management and Administration

During the six-month reporting period covered by this report, the FCC OIG has continued to dedicate staff towards assisting the agency in areas in which our expertise can provide benefit. For example, OIG Auditors are working closely with Commission representatives to develop a Systems Development Review Methodology (SDRM). The purpose of the SDRM is to provide a structured process for managing the development of information systems and for managing system modification and operation after systems are deployed in the production environment. During this reporting period, Auditors co-hosted a series of sessions with representatives from Commission's Bureaus and Offices as well as representatives from the Commission's procurement office and Information Technology Center (ITC). The purpose of these sessions was to finalize the structure of each of the five (5) phases of the SDRM and, within each phase, finalize the language for each section and task. In addition, these sessions were used to identify and define standard terminology for incorporation into an SDRM glossary. After the structure of each phase is finalized and each section and task is completed, the process will be incorporated into a computer tool that was developed under contract to the OIG. This tool will allow Commission employees to access the SDRM online.

In September 1999, OIG staff conducted field inspections of the Northeast Region of the FCC. This encompassed the Regional Directors (RD) Office located in Chicago, and four Field Offices located in Detroit, Philadelphia, New York City and Chicago (co-located with the RD). During the course of these field inspections, OIG staff utilized a detailed checklist, developed to assess compliance with federal government and internal FCC rules and regulations. The team conducted interviews with FCC staff and persons/organizations serviced by the field to assess and obtain feedback on operational effectiveness and efficiency and identify potential impediments to optimal performance. The OIG also searched for best practices, which may be transferable from one field location to another. The team also assessed coordination between field personnel and Headquarters staff both within and external to their bureau. A summary report, as well as location specific reports will be issued during the next reporting period.

SPECIFIC REPORTING REQUIREMENTS OF SECTION 5(a) 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 action 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

No matters were referred to prosecutive authorities during this reporting period.

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 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.

One audit report meets this criteria. The Report on Incurred Costs for Fiscal Years 1995, 1996 and Short Year 1997 (OIG 97-18) was issued in September 1997. This incurred cost audit identified questioned costs of \$265,180. The contractor has formally contested the OIG finding and submitted a counterclaim to the Chief, Contracts and Purchasing Center.

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.