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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.

During this reporting period, components of the FCC were relocated to the Portals II facility located at 445 12th Street, SW, Washington D.C. FCC headquarters staff will be housed in entirety in the Portals II by the end of June 1999. The Office of Inspector General (OIG) now occupies space on the second floor of the Portals II. OIG personnel have worked actively with responsible Commission officials to ensure that the unique requirements for both security and confidentiality of persons wishing to visit the office are best addressed within the constraints of the open office concept. In addition, OIG personnel have worked 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.

In a related matter, on March 22, 1999, the General Services Administration (GSA) OIG responded to a referral by this office. Specifically, our review of internal FCC documentation reflected that GSA officials ratified change orders with the Portals II lessor without adequate documentation to support the fairness and reasonableness of the prices agreed to. Acting at our request, the GSA OIG initiated audit activity culminating in the issuance of the "Audit of Change Orders Portals II". The GSA OIG substantiated that seven change orders totaling \$14.7 million were ratified without "evidence that appropriate steps were consistently taken to ensure the prices accepted are fair and reasonable." Furthermore, GSA OIG reported that markups in these change orders were "at a rate far in excess of those found in other GSA lease arrangements."

by the U.S. Congress in the Omnibus Budget Reconciliation Act of 1993. The OIG continues to place significant emphasis on 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 is participating in a multi-agency OIG review entitled "PCIE/ECIE Review of Non-Tax Delinquent Debt". Fieldwork was initiated during this reporting period and is targeted for completion by the close of Fiscal Year (FY) 1999.

In this reporting period, the FCC OIG, with the support of an independent CPA firm, initiated a three-tier 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), Government Auditing Standards (GAS), and 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.

The OIG closed-out activity related to a major investigation concluded during a prior reporting period. On March 23, 1998, OIG Investigative Report 96-2-A-04 was forwarded to the Chairman. This report identified improper administrative conduct on the part of FCC employees that established an environment in which the FCC was highly vulnerable to illicit activity on the part of a subcontractor. Prompt and decisive intervention by OIG personnel minimized the financial loss to the FCC and actually resulted in cost recoveries and withholding of contractor invoice payments totaling \$315,000 to date. In addition, the OIG supported the Federal Bureau of Investigation (FBI) and the United States Attorney's Office (USAO) for the District of Columbia, in obtaining a multi-count felony conviction of the subcontractor and a co-defendant. In this reporting period, the Commission reached a determination as to the administrative penalties to be assessed against FCC employees named in the report.

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). During this reporting period two of the four auditors assigned to the OIG staff left the Commission for positions within other Federal agencies. One vacant position, the Senior Information Technology Auditor was filled with the selection of Walter Opaska formerly of the General Accounting Office. Mr. Thomas Bennett, who previously served with distinction in this office, will fill the second vacant position in March 1999. In addition, in this reporting period, the OIG was authorized to fill a vacant audit position by the Chairman. Mr. Steven Rickrode formerly of the Treasury OIG has accepted an offer to serve as our financial audit expert.

This report includes the major accomplishments and general activities of the OIG during the period October 1, 1998, through March 31, 1999, in accordance with Section 5 of the Inspector General Act of 1978, as amended 5 U.S.C. App. 3, 5.



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

Audits

During the reporting period, the OIG issued two Audit Reports and a Special Review Report and drafted an additional Special Review Report, which was circulated for comment on April 7, 1999. Fieldwork commenced in two extremely important areas during this reporting period. The OIG, with contractor support, initiated a financial statement audit in February 1999. This comprehensive audit will be conducted in conformance with requirements contained in the Chief Financial Officer's Act. In March 1999, the OIG initiated fieldwork to address the collectibility of auction loan debt. This work is being performed in conjunction with the President's Council on Integrity and Efficiency (PCIE) and Executive Council on Integrity and Efficiency (ECIE). Additionally, OIG auditors continued to perform contract audit work, evaluate and test physical security of the Portals II site, evaluate Year 2000 (Y2K) preparedness and dedicated significant effort towards supporting complex investigative activity addressed in the investigative section of this semi-annual report.

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. In testimony before the House Subcommittee on Commerce, Justice, State and the Judiciary on March 25, 1998, Chairman Kennard addressed the FCC's Year 2000 plans and related FY 1999 funding request of \$5,765,000. The Chairman stated that "FCC systems which have been identified as having significant Year 2000 compliance issues include our applications processing, fees collection, tariff tracking and public comments filing systems. For each of these systems, we have completed requirements studies to replace them with restructured and, in many cases, integrated, state-of-the-art electronic filing and relational database systems." The OIG is currently engaged in auditing FCC Y2K initiatives and is working with the Chief Information Officer (CIO) to address issues as they are identified during the course of our fieldwork. In addition to monitoring the Commission's progress in dealing with Year 2000 issues, an OIG auditor participates in a Commission working group that monitors the telecommunications and broadcasting industry efforts directed at addressing the Year 2000 problem.

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)."

The OIG continues to dedicate resources toward providing the Commission with contract audit support services. To maximize efficiency and effectiveness of operations, the Commission continues to rely upon contract personnel to provide unique expertise to

support Commission initiatives, most apparent in the information technology environment. In this reporting period, OIG contract auditors identified questioned costs totaling \$140,833. 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.

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.

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.

SIGNIFICANT AUDIT ACTIVITY

Commercial Mobile Radio Services Licensing and Fee Collection - Audit Report No. OIG 98-8 issued November 24, 1998

This special review report reflects 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 (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 sign 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.

Report on Request for Equitable Adjustment – Audit Report No. OIG 98-12 issued December 2, 1998

At the request of the Chief, Contracts and Purchasing Center, the OIG audited a FCC vendor's Request for an Equitable Adjustment (REA), in the amount of \$151,691. The proposal represented costs associated with a stop-work order issued by the FCC. The contractor was responsible for furnishing and installing eleven No Walk II carousels and software at the new FCC Headquarters Building (Portals II).

Our audit disclosed \$140,833 in questioned costs. The contractor claimed that as a result of circumstances outside their control, the FCC issued a stop-work order delaying the installation of the filing system. Per the contractor, this resulted in financial losses primarily related to unabsorbed home office indirect costs (overhead) and additional project management time expended by the contractor to coordinate overall project issues. OIG auditors questioned the entirety of the bulk of the contractor claim (\$98,443) as there was no delay in the manufacturing or delivery of the equipment and no "damage" or loss was identified as a result of the stop-work order. An additional \$13,864 of the contractor's claimed loss of \$19,864, for lost opportunities resulting from the FCC's stop-work order, was not substantiated. The third major component of OIG questioned costs was related to proposed profit sought by the contractor.

Final Report on the Audit of the Federal Communications Commission's Implementation of the Government Performance Results Act – Audit Report No. OIG-98-01 issued on March 26, 1999

The scope of this audit incorporated steps necessary to form an opinion as to the FCC's compliance with requirements of the Government Performance Results Act (GPRA). The audit addressed those components of the Act that were to have been implemented as of the date audit fieldwork was concluded. The auditors determined that the FCC has made substantial progress towards developing a plan to meet GPRA objectives and requirements. However, the Commission has not consistently developed outcome-oriented annual performance goals. In fact, only eight percent of performance goals outlined in the FY 2000 budget statement to Congress were characterized by the auditors as outcome based.

Program officials attributed this condition to a number of factors including the impact of the Telecommunications Act of 1996 on the Commission and difficulty in assessing results of a regulatory agency's impact on constituents.

The Managing Director concurred with the auditors finding and indicated that the Commission has begun to revise its strategic plan.

Investigations

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.

During this reporting period, twelve complaints were received in the OIG. Eleven of the complaints have resulted in the initiation of investigations or preliminary inquiries, and eight of the eleven matters were closed. Three complaints were closed because of determinations of no violations of standards of conduct by FCC employees. Five complaints were closed because they were found not to merit further action. Four of the complaints are still pending.

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

STATISTICS

<i>Cases pending as of September 30, 1998</i>	9
<i>New cases</i>	12
<i>Cases closed</i>	17
<i>Cases pending as of March 31, 1999</i>	4

SIGNIFICANT INVESTIGATIVE CASE SUMMARIES

- *The OIG continued to monitor the matter under Investigative Report 96-2-A-04, issued March 25, 1998, concerning FCC employees within the Spectrum Auctions Task Force who were identified as having exercised poor judgment and possibly violated provisions of the Federal Acquisitions Regulations (FAR) and Title 5 of the Code of Federal Regulations (CFR) Part 2635 Standards of Ethical Conduct for Employees of the Executive Branch. Management has imposed disciplinary action with respect to all of the cited employees and the matter has been closed.*
- *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 July 30, 1998, the OIG initiated an investigation based on allegations of FCC employees utilizing their computer workstations to access pornographic sites on the Internet in violation of FCC regulations and provisions of the Code of Federal Regulations concerning use of Government equipment and use of official time. The OIG determined that the employees in question had routinely and/or regularly accessed inappropriate sites on the Internet and issued a report to management on October 9, 1998. Disciplinary action has been taken against the employees and the matter has been closed.*
- *On September 9, 1998, an applicant for a vanity call license notified the Commission that he believed that someone at the Commission had used his credit card to make unauthorized purchases. The applicant reported that he had applied for a vanity call sign and had included information on his application to have the application fee charged to his credit card. He forwarded the application to the Mellon Bank in Pittsburgh, the processing center for license applications. On August 24, 1998, the applicant's credit card number was used to purchase items in the Philadelphia area without his permission. The matter was referred to the OIG and an investigation was commenced in coordination with the security division of Mellon Bank. As part of the investigation, a review of the processing operation was conducted and contact*

was initiated with the applicant's credit card company to acquire information concerning the circumstances of the purchases. Based on the information developed in the course of the investigation, it was determined that the purchases were made prior to the receipt of the applicant's application at the bank by persons within a credit card ring. Accordingly, since there was no indication of misconduct on the part of employees of either the Commission or Mellon Bank, the matter has been closed.

- *On September 15, 1998, the OIG initiated a preliminary inquiry into allegations by a Section 8(a) contractor that his contract was not renewed because he had complained about having to perform services for which there was no statement of work, possibly in violation of FCC regulations. The contractor's services consisted of administrative and facilities management services that had previously been performed by Federal employees. Those specific services included manning the Commission's Help Desk, providing drivers for Commission personnel, and manning the Commission's Transit Subsidy Office. The OIG found that the decision not to renew the contract in question complied with the terms of the contract and was based on legitimate budgetary and financial concerns. Further, the OIG found that there was no evidence of misconduct on the part of Commission employees, and the matter was closed.*
- *On September 28, 1998, the OIG initiated a preliminary inquiry into allegations by a prospective corporate supplier that a FCC solicitation for bids was unfairly and improperly biased in favor of another supplier. The solicitation pertained to the buying out of existing copier lease agreements and the supplying of new copiers for the Portals site. The OIG found that in light of the fact that other suppliers were able and did in fact submit bids and the submitted bids were competitive with each other, the process was not unfairly or improperly biased in favor of any supplier.*
- *On October 5, 1998, the OIG was notified by the Chief of Staff for the Commission that he had received information that an employee of the Commission had solicited persons for the purpose of hiring a lobbyist to lobby Congress against the proposed move of the Commission to the Portals site. An investigation was initiated. Through investigation, the OIG learned that the employee did contact the persons but at no time solicited them or indicated that he was contacting the persons in his official capacity and any use by the employee of official resources was nominal in nature. Management was notified of the OIG's findings. Action has been taken with respect to the employee. Accordingly the matter has been closed.*
- *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 matter pending before the Commission. 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*

the allegation was without merit and the matter was closed.

- *On November 23, 1998, the OIG was notified by the Office of Public Affairs that the office had been contacted by the news director of a local television station to lodge a complaint regarding the conduct of a Commission employee. The news director stated that the employee had contacted the station to complain about a news segment and in the course of lodging the complaint had identified himself as a Commission employee. The news director found the employee's comments and identification as a Commission employee improper in light of the fact that the Commission regulates the station. The OIG initiated an investigation to determine if the employee's conduct or actions constituted a misuse of his position in violation of Title 5 of the Code of Federal Regulations. Through investigation, the OIG determined that the employee had called the station and complained about the news segment. In the course of the call, the employee did identify himself as an employee of the Commission. However, at no time did the employee state or infer that he would take any action in his capacity as a Commission employee or any other capacity. Management was notified of the OIG's findings. The OIG determined that no further action was warranted and accordingly, the matter has been closed.*

- *On December 4, 1998, the OIG initiated a preliminary inquiry into allegations that a former employee may have made or had an improper contact with the Commission in violation of 18 U.S.C. Section 207 which prohibits certain post-employment activities by former employees. The alleged conduct consisted of the making of an affidavit by the former employee which was filed before a court of law in a subject matter over which the former employee had supervisory responsibilities while employed with Commission. Through investigation it was determined that the matter in question had not been under the supervisory responsibilities of the employee. Accordingly, because of the determination of no violation by the employee, the matter was closed.*

HOTLINE CALLS

During this reporting period, the OIG Hotline Technician received fifty-seven (57) 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.

Of particular concern or importance during this period are two events which appear to directly impact the independence of Inspectors General in the Designated Federal Entities (DFEs), of which the FCC is one. These events have arisen in two separate forums, both of which are outside the Inspector General community; a fact that appears to argue for greater or additional attention to the independence issues.

The first event occurred when the Professional Ethics Committee of the American Institute of Certified Public Accountants (AICPA) proposed a revision of its rules that would result in DFE IG's being deemed not sufficiently independent to issue audit reports under Generally Accepted Auditing Standards (GAAS). Under the proposed AICPA definition, the presidentially-appointed IGs would be treated as independent auditors, but the DFE IGs would be treated as "internal auditors" because they are appointed by their agency heads and, therefore, they are considered to be less independent. In response, 24 DFE IGs sent a letter challenging the AICPA's proposed revision, and asserting that the manner of an IG's appointment does not vest some (presidentially-appointed) IGs with more independence than others (agency-head appointed).

The second event took place in February 1999 when a decision was issued by an administrative law judge (ALJ) with the Federal Labor Relations Authority (FLRA) that granted a bargaining unit employee of the National Labor Relations Board (NLRB) the right to have a union representative present during questioning by a NLRB OIG investigator. NLRB is a DFE agency. At issue was the alleged refusal of the investigator to permit the employee to be represented by his union during the investigative interview. This very issue is currently pending before the U.S. Supreme Court in FLRA v. National Aeronautics and Space Administration and National Aeronautics and Space Administration Office of Inspector General, 120 F.3d 1208 (11th Cir. 1997), cert. Granted, 199 S.Ct. 401(1998). Oral argument was heard on March 23, 1999. The ALJ who decided the NLRB case, however, concluded that the NLRB OIG case was not necessarily dependent on the outcome of the NASA case in the Supreme Court. The ALJ found that since the NLRB case involved a DFE IG, and the pending NASA case involved

a presidential-appointed IG, the cases were sufficiently dissimilar to distinguish them even before the Supreme rendered its decision. Specifically, the ALJ stated that:

Unlike the Inspector General in NASA and the Inspectors General of other agencies defined by section 11 of the IG ACT as “establishments,” the Inspector General of the NLRB is appointed by its Chairman, who may also remove him or her. Although such removal must be explained to Congress, there are no formal limitations on the reasons for such action. The Inspector General, therefore, must rely solely on political considerations rather than on legal standards with respect to the security of his or her position.

NLRB OIG and NLRBU, FLRA Case No. AT-CA-80026 (February 10, 1999), at 19. The ALJ did not elaborate on what legal standards a presidentially-appointed IG could rely on with respect to the security of his or her position, and went on to state that because a DFE IG serves at the pleasure of the agency head, and because of the agency’s role in establishing the OIG budget, a DFE IG also appears to have somewhat less independence than a presidentially-appointed Inspector General. Id. At 20.

The significance of the two preceding cited events with respect to the independence of DFE IGs is clearly demonstrated when the events are considered in relation to the Inspector General Act of 1978(IG Act). The IG Act gives all IGs—those serving within DFE agencies who are appointed by the agency head as well as those in federal “establishments” who are appointed by the President with the advice and consent of the Senate—the same tools to carry out their responsibilities and to safeguard their independence. In short, all IGs have the same authorities under the IG Act to carry out their mission, whether they are appointed by an agency head or the President. An IG’s tools include the semiannual report to Congress and the authority to inform Congress by a “ seven-day letter” of a specific problem or dispute with agency management.

Under the “general supervision” of the agency head, every IG reports only to that official in his/her agency. Every IG is also authorized to have ready access to the agency head, and to agency records that are needed to conduct independent audits and investigations. IGs are also authorized to subpoena documents from parties outside the agency in carrying out their duties, and all IGs are authorized to independently establish OIG priorities, taking into consideration, of course, expressed management concerns about agency operations and potential problems. Further, all IGs have final approval of OIG audit plans. While IGs are also given authority to manage the OIG’s own budget and to handle their office’s personnel and contracting activities, to ensure the office’s independence agency management cannot assign an OIG program or operational responsibilities, and are prohibited from interfering with or preventing the OIG from conducting audits or investigations.

Several legislative proposals currently pending in the Congress directly affect IGs. In the coming months this office along with other DFE IGs, anticipate becoming more involved in working with Congress to address the independence issues related to IG functions and operations.

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. As an example, OIG staff is engaged in a number of highly visible projects including preparation of automated systems for the Year 2000 (Y2K), and formalization of a Systems Development Life Cycle (SDLC) methodology within the Commission. Auditors are currently engaged with management in its' attempt to address both internal Y2K systems operational concerns as well as measures taken by the critical industries that are regulated by the FCC. With regard to the SDLC project, the OIG has taken the lead roll in the development of a SDLC methodology that can be used by all Commission elements in the planning, development and implementation of FCC systems.

The OIG also continues to provide training to new employees entering the Commission to ensure that they are aware of the responsibilities of the OIG, and the conduct that is expected of all FCC employees. In this reporting period, the OIG has developed a draft informational brochure to be distributed to all FCC employees. The brochure, which is currently being circulated for comment, defines the role and mission of the OIG. It also communicates the duties and responsibilities of all FCC employees when interfacing with OIG auditors and investigators. Concurrent with the update of the OIG informational brochure, the OIG is engaged in revising our strategic plan.

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.