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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.

The FCC continues to be actively involved in planning for the consolidation of the Commission into the Portals facility located at 1250 Maryland Avenue, SW, Washington D.C. Phase 1 of the move is presently scheduled for the fall of 1998. The Office of Inspector General (OIG) is tentatively scheduled to occupy space on the second floor of the Portals. OIG personnel continue to work 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 building concept.

The Commission continues to auction spectrum as authorized 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. In this reporting period, through a comprehensive testing methodology, auditors completed and issued two auction related Special Review Reports. The first report entitled Follow-up Special Review of Auction Site Information Technology (IT) Security was issued on May 27, 1998. In a report dated September 16, 1996, the OIG identified the results of our review of IT security at the primary auction site located at 2 Massachusetts Avenue. The purpose of this follow-up review was to examine the impact of significant IT infrastructure changes at the facility. In general, the OIG found that the auction site is progressing towards a more secure IT infrastructure and that progress had been made

towards mitigating the vulnerabilities previously identified by the OIG. In FY 1999, the OIG will continue to assess auction related IT security at the Gettysburg facility and at the new FCC facility to be located at the Portals.

On September 25, 1998, the OIG issued the final Special Review of the FCC Collection System, which addressed the integrity of data maintained in the existing Collection System. The Commission's Collection System began as a tracking system on a mainframe computer to track application and regulatory fees. In order to track the billions of dollars in payments owed the Federal Government as a result of winning bids, the FCC had to develop systems to support the auction process. The purpose of the OIG Special Review was to: (1) assess the existing and planned abilities of the Collection System, to meet FCC requirements and recommend alternate commercial-off-the-shelf (COTS) solutions; and (2) attempt to assess the integrity and validity of data residing in the existing system before that data can be exported to populate the new Collection System. The OIG reported that the Collection System does not provide evidence for all payment transactions, does not provide clear audit trails for changes made to payment transactions, does not reconcile to the General Ledger, and supports less than thirty percent (30%) of desired functionality. Our review further revealed that it would be cost prohibitive to bring the current in-house system, which cost over \$4 million dollars, to an acceptable level of functionality.

The OIG continues to provide expertise to the Commission in the procurement and contracting area. Traditionally, this effort includes evaluating and testing the accounting systems maintained by FCC contractors. In this reporting period, OIG contract auditors looked in-house and examined and reported upon our own internal cost accounting methodology in the Final Report on the Follow-up Audit of the FCC Auction Cost Recovery System. In this report issued on August 10, 1998, the auditors performed analysis to identify: (1) whether the recommendations contained in the original subject report issued on March 18, 1996, had been addressed; and (2) the timeliness, accuracy and functionality of the current cost accounting system employed by the FCC. The audit identified that the FCC had adopted the corrective measures enumerated in the prior report. However, two new recommendations were contained in the report based upon the findings that the FCC was not consistently charging Auctions for auction related work, and that the FCC Auction Cost Recovery Guidelines and Procedures manual was outdated. Management concurred with both recommendations and initiated appropriate corrective action.

The OIG continued to monitor and provide input into the final adjudication of two major investigations concluded during the 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. The Commission is presently engaged in reaching a determination as to potential administrative remedies against FCC employees named in the report.

A second significant investigation was concluded on March 31, 1998, with the release of OIG Investigative Report 97-4-C-08. This report addressed the improper conduct on the part of FCC employees who used the Internet to "surf" to pornographic sites and, in some cases, download and store pornographic images and textual depictions of pornographic events on Commission computers. Such conduct was determined to be in violation of 5 CFR § 2635.704, entitled "Use of Government property" and 5 CFR § 2635.705, entitled "Use of official time." During this reporting period, the OIG provided additional input used as a basis for management imposing disciplinary action against the named FCC employees. Subsequent to the closure of this investigation, the OIG has opened and is currently working an investigation focusing upon FCC employees continuing to access pornographic sites.

On September 10, 1998, Judge Henry Kennedy Jr. approved a settlement between the Justice Department's Office of Public Integrity and the law firm of Morrison & Foerster. The case involved a violation of post employment restrictions by the former Chief, Common Carrier Bureau of the FCC (18 U.S.C. §207) while employed by Morrison & Foerster. Based upon allegations received by this office and information developed by the OIG, the matter was referred to the Justice Department. The firm made payment of \$12,500 to settle the civil case.

The OIG, in conducting Field Inspections in 1996, had identified to management that the Commission had not adopted an active posture to stem the proliferation of Pirate broadcasters operating in violation of Section 301 of the Communications Act of 1934, as amended, 47 U.S.C. §301. This condition was most notable in South Florida. At the invitation of the Chief, Compliance and Information Bureau (CIB), the Assistant Inspector General for Audits (AIGA) participated in Operation Gangplank. Operation Gangplank was a coordinated effort by the CIB and other Federal, State and Local entities to identify and remove non-licensed or "Pirate" broadcasters from the air. During the week of July 27, 1998, Operation Gangplank was successful in removing 15 illegal broadcasters from the air in South Florida and seized illegal broadcast equipment, ranging from homemade transmitting components to professionally manufactured equipment illegally imported from foreign countries.

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 located in Room 752 in the FCC headquarters building at 1919 M Street, NW, 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, 1998, through September 30, 1998, in accordance with Section 5 of the Inspector General Act of 1978, as amended 5 U.S.C. App. 3, § 5.

AUDITS

OVERVIEW

During the reporting period, the OIG issued two Special Review Reports which focused on the integrity of the Spectrum Auction Program and one Audit Report which encompassed the timeliness and accuracy of data maintained in the FCC's cost accounting system. Additionally, OIG auditors continued to perform contract audit work and dedicated significant effort to supporting complex investigative activity addressed in the investigative section of this semi-annual 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 continues to actively monitor this effort which is directed towards ensuring that the FCC is prepared to address issues related to the Year 2000 conversion. 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 efforts of telecommunications and broadcasting companies addressing the Year 2000 problem and works with their customers to ensure their service will not be disrupted.

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."

The OIG continues to dedicate resources toward providing the Commission with contract audit support services. In a climate of maximizing service and deliverables to our users while downsizing the size of the Federal Government work force, increasingly, functions are being contracted out to the private sector. Furthermore, the Commission is actively involved in upgrading our automated databases. Related systems development and implementation activity requires a skill set often attained through program services contracts with the private sector. The

OIG represents the Commission and the Federal Government in ensuring that required deliverables are produced in a timely and efficient manner and at a reasonable and supportable cost. The OIG has worked closely with the Contracts & Purchasing Center to develop a program to enhance training, performance and oversight of Contracting Officers' Technical Representatives (COTR's). A well trained, dedicated and proactive cadre of COTR's can have a profound and positive impact upon the performance of a contractor and mitigate the potential for adverse procurement actions. The FCC has taken major strides in this area and the Contracts & Purchasing Center is to be commended for their work in this area.

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

1. FOLLOW-UP SPECIAL REVIEW OF AUCTION SITE INFORMATION TECHNOLOGY (IT) SECURITY (OIG NO. 97-3)

Issued: May 27, 1998

On May 27, 1998, the OIG issued Special Review Report No. 97-3, entitled Follow-up Special Review of Auction Site Information Technology (IT) Security. The purpose of this review was to conduct a follow-up special review of IT security at the facility whose results were reported in the Special Review of Auction Site Information Technology (IT) Security (OIG 96-6) issued on September 16, 1996. An additional objective was to assess changes which would need to be considered if a more secure computing environment was required.

In general, our follow-up review indicated that the auction site is progressing towards a more secure IT infrastructure and that progress has been made on mitigating the vulnerabilities identified in our August 1, 1996, Special Review Report. For example, we noted marked improvement in the installation and organization of critical hardware at the auction site. However, the review team did identify additional control improvements, which should be instituted. These improvements can be made in the areas of security documentation, personnel security, security awareness training, physical security, and the security configuration of routers, UNIX servers, Windows NT servers and work stations, Windows 95 work stations, and remote access. Many of these control improvements were being addressed at the time of review completion. In addition, we observed that Commission employees and contractor personnel managing the site are committed to continual improvement of security as part of their operational mission.

2. FINAL SPECIAL REVIEW OF FEDERAL COMMUNICATIONS COMMISSION (FCC) COLLECTION SYSTEM (OIG 97-21)

Issued: September 25, 1998

In May 1997, the OIG initiated a special review of on-going development and enhancement of the Commission's collection system. The objectives of the review were to: (1) examine the current operational system and assess its ability to meet requirements; (2) assess on-going and planned system development/modification efforts and determine their effect on system performance following implementation; and (3) develop recommended system performance solutions including identification/assessment of commercially available products.

During the review, the review team became aware of an on-going effort by the Wireless Telecommunications Bureau (WTB) and the Office of the Managing Director (OMD) to engage a contractor with government financial management consulting and system design expertise to evaluate the current Collections System with respect to: (1) the FCC's financial accounting requirements and (2) operational management and data requirements of the operating bureaus with emphasis on the Auctions Division of WTB. Recognizing that, with some exception, the proposed task order duplicated significant portions of our on-going effort, the OIG agreed to chair a joint steering Committee comprised of representatives from OMD and WTB to complete the various review objectives. In addition, the OIG established a task order with the accounting firm of Ernst & Young, L.L.P. (hereafter referred to as "E&Y") to evaluate the integrity of Collection System data.

On April 24, 1998, E&Y issued a report summarizing the results of their Collection System data integrity review. This report, entitled "Collection System Agreed-Upon Procedures Report," identified a multitude of data quality issues within the Collection Database. For example, of the one thousand six-hundred ninety-five (1695) transactions selected for review, E&Y identified that: data contained in the collections database differed from source documents for seven-hundred eleven (711) items representing forty-two percent ($711/1695 = 42\%$) of selected transactions; and that, of the seven-hundred eleven (711) transactions for which differences existed, thirty-three (33) transactions, with a total dollar value of approximately \$39 million, related to discrepancies in monetary amounts or instances where no check or wire slip could be located to substantiate the transaction.

On September 25, 1998, the OIG issued the Special Review of Federal Communications Commission (FCC) Collection System (OIG 97-21). In this final report, the OIG made one-hundred twenty-eight (128) observations in the areas of: internal controls; audit trails; programming support; database support; security; banking related matters; business process improvements; policies and procedures, and systems development lifecycle issues. Of the one

hundred twenty-eight (128) observations, forty-six (46) were considered high and medium exposure items that should be addressed immediately. OIG auditors concluded that the Collection System does not evidence all payment transactions, does not provide clear audit trails for changes made to payment transactions, does not provide for an adequate level of logical internal controls, does not reconcile to the General Ledger, and supports less than thirty percent (30%) of desired functionality. Our review further revealed that it would be cost prohibitive to bring the current in-house developed Collection System to an acceptable level of functionality. The Managing Director and Chief WTB concurred with one hundred twenty-six (126), and indicated non-concurrence with two (2) of the one hundred twenty-eight (128) observations and recommendations.

3. FINAL REPORT ON THE FOLLOW-UP AUDIT OF THE FCC AUCTION COST RECOVERY SYSTEM (OIG NO. 98-2)

Issued: August 10, 1998.

On August 10, 1998 the OIG issued the Follow-up Audit of FCC Auction Cost Recovery System (OIG-98-02). The objective of this audit was to audit the changes the Commission made to its Auction Cost Recovery System (ACRS) in response to audit recommendations contained in the March 18, 1996 report entitled OIG Audit of Fiscal Year 1994 Spectrum Auction Implementation Costs. The audit objectives included: (1) identifying whether the FCC adopted the four recommendations contained in the OIG's March 18, 1996, audit report; (2) determining whether implementation resulted in an improvement in the FCC's ability to accumulate auction reimbursable expenses in a timely, accurate, and efficient manner; (3) evaluating the validity of expenses charged as auction reimbursable expenses and reviewing the adequacy of supporting documentation for fiscal year 1997 through March 31, 1998; and, (4) examining whether claimed auctions reimbursable expenses comply with FCC policies and procedures and reflect Congressional language and intent.

As a result of our audit, the OIG determined that FCC management had adopted the corrective measures enumerated in the FY 1996 report. In this follow-up effort, the auditors identified the two areas for which formal recommendations were made which upon adoption, will result in improvements to the integrity of the FCC's ACRS. The Managing Director indicated concurrence with both recommendations.

4. AUDIT OF CONTRACTOR LABOR RELATED POLICIES, PROCEDURES AND PRACTICES (OIG 98-03)

Issued: May 21, 1998

As part of our on going contract audit activity, OIG contract auditors performed an unannounced

floorcheck of contractor employees and subcontractors working under FCC contract no. 96-06. This is a Time & Material (T&M) contract with a value not to exceed \$49 million dollars. The contractor provides programming analysis and support services under the contract.

The purpose of the audit was to evaluate the contractor's timekeeping practices, procedures, internal controls, and employee awareness program using the applicable requirements contained in the Federal Acquisition Regulations (FAR). In the Audit of Contractor Labor Related Policies, Procedures and Practices (OIG 98-03), OIG auditors reported upon two (2) unacceptable conditions that required corrective action by the contractor. The OIG identified that contract employees were not consistently following written policy concerning the requirement to complete timesheets on a daily basis. Furthermore, the employees were not informed of their legal responsibility for accurately completing their timesheets. Upon receipt of the OIG report, the contractor took acceptable corrective action.

5. AUDIT OF CONTRACTOR LABOR RELATED POLICIES, PROCEDURES AND PRACTICES (OIG 98-11)

Issued: September 30, 1998

As part of a comprehensive audit of a FCC contractor operating under a T&M contract, a labor floorcheck was performed. Obligations under the contract for paralegal and financial operations support totaled \$1.4 million at time of this audit. The contractor is responsible for maintaining records to support claimed costs and establishing and maintaining an adequate labor timekeeping and reporting system. The OIG through the conduct of this work seeks to express an opinion based upon audit results.

The OIG identified several unacceptable conditions that required corrective action by the contractor. In six separate recommendations, the OIG noted deficiencies in the contractors accounting system and internal timekeeping methodology. The contractor concurred with the four recommendations that addressed timekeeping shortcomings. With regard to the remaining two recommendations which focused upon accounting system deficiencies, the contractor identified how they could meet the OIG audit requirements within the constraints of their existing financial system. The OIG accepted the contractor proposal and will perform additional verification at a later date.

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, ten complaints were received in the OIG. Four of the complaints have resulted in the initiation of investigations or preliminary inquiries, and are still pending. Two of the complaints were referred to another FCC office for appropriate action, and four were closed because the allegations were found to be without merit or the OIG lacked jurisdiction.

Seventeen of the cases pending at the beginning of the period were closed. Nine of the cases were closed because of determinations that insufficient evidence existed to find any violations of standards of conduct by FCC employees. One was closed when appropriate disciplinary action was taken. Seven of the cases were referred to appropriate law enforcement agencies because they did not fall within the jurisdiction of the OIG, and were subsequently closed. Five cases are still pending.

STATISTICS

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|---|----|
| Cases pending as of March 31, 1998..... | 22 |
| New cases..... | 10 |
| Cases closed..... | 23 |
| Cases pending as of September 30, 1998..... | 9 |

SIGNIFICANT INVESTIGATIVE CASE SUMMARIES

- The OIG continues to monitor and provide information to management with respect to the matter under Investigative Report 96-2-A-04, 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. The matter is pending before management for appropriate disciplinary action.
- The OIG continued to monitor the matter under Investigative Report No. 97-4-C-08, concerning FCC employees who were found to have used their computer workstations to access pornographic sites on the Internet, potentially in violation of sections of Title 5 of the Code of Federal Regulations (CFR) pertaining to the “Use of Government property” and “Use of official time”, and FCC regulations as defined in Directive FCCINST 1479.1, entitled “FCC Computer Security Program”. The matter was pending before management for appropriate disciplinary action to be taken. With the imposition of appropriate disciplinary action, the matter was closed.
- The OIG continued to monitor and coordinate efforts with the Federal Protective Service (FPS) related to the theft by a former FCC co-op student of Equalnet calling cards and the use by the student of Government telephones for personal purposes. The OIG had referred the matter to the FPS and the subject had agreed to make restitution. The subject subsequently reneged on the agreement and the OIG closed the matter when prosecutors refused to prosecute.
- During the period, the OIG conducted preliminary inquiries into alleged abuse of the transit subsidy program, and allegations of post-employment conflict of interest violations by two former employees. The cases were found to be without merit or not to merit further action, and were closed.

- A matter involving a potential post-employment conflict of interest violation, which had been referred to the Public Integrity Section of the Department of Justice, was closed when the case was settled by the Department.
- In response to a request from the House Committee on Transportation and Infrastructure dated February 18, 1998, the OIG initiated an investigation related to the Portals development project. It had been requested that the OIG examine (1) the leak of a security report prepared by a Commission contractor to the media and, (2) efforts on the part of the current FCC landlord to enlist and empower FCC staff to derail the planned consolidation of the FCC to the Portals site.

After a complete and thorough investigation, which included interviewing individuals from the FCC, GSA, the contractor and the media who had come into the possession of the document, the OIG was unable to conclusively determine the source of the leaked document. With respect to the efforts, if any, concerning the planned consolidation, the OIG determined that no FCC employees had been contacted either by the current landlord of the FCC or anyone on its behalf regarding the consolidation.

- The OIG referred allegations to the OIG of the General Services Administration (GSA) of potential improper procurement practices to include lack of adequate support for change orders related to the Portals contract. The OIG continues to monitor the GSA audit and investigation.
- 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. This investigation is currently pending.
- On September 9, 1998, the OIG commenced an investigation into allegations that the credit card of an applicant for a vanity call sign license had been used to make unauthorized purchases. The applicant reported to the FCC that he had completed a license application in which he requested that application fee of \$50 be billed to his credit card account. The credit card information including the account number was included on the application, which was transmitted 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. An on-going investigation in coordination with the security division of Mellon Bank is currently being conducted.
- 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. This preliminary inquiry is pending.

- 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. This preliminary inquiry is pending.

HOTLINE CALLS

During this reporting period, the OIG Hotline Technician received hotline thirty-one (31) 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.

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 serves on numerous high visibility projects including the Year 2000 (Y2K), Fines and Forfeitures and Universal Licensing System task forces. 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 July 1998, a member of the OIG staff was an active participant in Operation Gangplank. The OIG in conducting Field Inspections in 1996 had identified to management that the Commission had not adopted an active posture to stem the proliferation of pirate broadcasters operating in violation of Section 301 of the Communications Act of 1934, as amended, 47 U.S.C. §301. This condition was most notable in South Florida. At the invitation of the Chief, Compliance and Information Bureau (CIB), the Assistant Inspector General for Audits (AIGA) participated in Operation Gangplank. Operation Gangplank was a coordinated effort by the CIB and other Federal, state and local entities to identify and remove non-licensed or "pirate" broadcasters from the air. During the week of July 27, 1998, Operation Gangplank was successful in removing 15 illegal broadcasters from the air in South Florida and seized illegal broadcast equipment ranging from homemade transmitting components to professionally manufactured equipment illegally imported from foreign countries.

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.

A violation of post-employment restrictions referred to the Public Integrity Section, Department of Justice, on December 5, 1994, was settled between the Department and the law firm of Morrison & Foerster with the payment of a civil fine of \$12,500.

On June 4, 1997, based upon OIG referral, an FCC employee was charged in the District Court of Maryland for Howard County under Article 27. 419A of the Maryland Code of 1957, entitled "Child Pornography", and Article 27. 419B, entitled "Possession of visual representations of persons under age 16 engaged in certain sexual acts." On January 28, 1998, the case was heard by Judge Neil Axel of the District Court of Maryland for Howard County. In that proceeding, the former employee was given probation before judgment on the charge of possession of child pornography, ordered to pay fines and costs totaling \$305, given supervised probation for

eighteen months, and directed to continue counseling sessions and to remain on prescribed medications. On March 11, 1998, the former employee was charged under the same statutes in Baltimore County Maryland for materials recovered from the employee's residence. On June 23, 1998, the former employee was convicted of the charges and sentenced to a period of probation.

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 Chief, Acquisitions Branch advised the OIG that the contractor has indicated the intent to contest the findings contained in the subject report. Her office will be meeting with the Office of General Counsel to discuss the FCC's recourse should the contractor adopt this position.

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.