



FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF INSPECTOR GENERAL

MEMORANDUM

DATE: May 29, 2024

TO: Jessica Rosenworcel, Chairwoman
Brendan Carr, Commissioner
Geoffrey Starks, Commissioner
Nathan Simington, Commissioner
Anna Gomez, Commissioner

FROM: Fara Damelin, Inspector General FARA DAMELIN Digitally signed by FARA DAMELIN
Date: 2024.05.29 16:05:48 -0400

SUBJECT: Final Report on the Audit of the Fiscal Year 2023 Federal Communications Commission Compliance with the Payment Integrity Information Act of 2019 (Project No. 24-AUD-01-01)

In accordance with Office of Management and Budget Memorandum M-21-19, Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement*, the FCC Office of Inspector General (OIG) submits the attached final report on the mandated audit of the Federal Communications Commission's Compliance with the Payment Integrity Information Act (PIIA) of 2019.

The OIG contracted Kearney and Company, P.C. to perform this audit consistent with the OIG's authority under the Inspector General Act of 1978, as amended, including but not limited to 5 U.S.C. sections 402(b)(1) – (2), 404(a)(1), 405(b). The audit is not intended as a substitute for any agency regulatory compliance review or regulatory compliance audit. The audit was performed in accordance with generally accepted government auditing standards. Those standards require that the auditors plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions based on the audit objectives.

The objective of this audit was to determine whether the FCC was in compliance with the statutory requirements for payment integrity reporting using criteria provided by PIIA, the Council of the Inspectors General on Integrity and Efficiency Guidance for Payment Integrity Information Act Compliance Reviews, and applicable OMB guidance.

Our contract auditor determined that while 11 of 13 FCC programs were compliant with PIIA, the FCC was non-compliant with PIIA overall because two of the 13 assessed FCC programs, the Universal Service Fund (USF) Lifeline and the Affordable Connectivity Program, did not comply with one of the 10 PIIA criteria. Specifically, the contractor found that for the USF

Lifeline and Affordable Connectivity Programs, the FCC did not report the required and accurate amount of improper payments in accordance with M-21-19.

We note that after the close of the audit period, on May 7, 2024, the FCC issued a consent decree resolving a provider's petition to retroactively amend a clerical error in its eligible telecommunication carrier designation order. This action addresses the Lifeline program noncompliance included in this report, and this issue is therefore resolved for FY 2024 and future PIIA reporting.

In addition to the reported non-compliances, the contractor noted other areas where PIIA reporting can be further improved:

- overpayments in the USF Schools and Library program resulting from invoice and competitive bidding errors,
- overpayments in the USF Lifeline program resulting from incorrect eligibility determinations, and
- the FCC's management of payment integrity risks for the Telecommunication Relay Service Fund.

The report includes five findings and offers five recommendations to improve the Commission's PIIA reporting. If implemented, the recommendations will aid in the FCC's compliance with PIIA and strengthen controls for payment integrity. The report also highlights PIIA improvements made by the FCC in FY 2023 and the related closure of seven prior year PIIA recommendations. We appreciate the FCC's attention to these matters and its associated progress.

In the Management Response, the FCC concurred on four findings and non-concurred on one of the two noncompliance findings, related to the Lifeline Program.

Our contract auditor is wholly responsible for the performance throughout the audit and OIG reviewed Kearney's audit report and the related audit documentation. Our review disclosed no instances where Kearney did not comply in all material respects with generally accepted government auditing standards.

Thank you for the cooperation and courtesies extended to Kearney and OIG during the audit. If you have questions about this report, please contact Menjie Medina, Deputy Assistant Inspector General for Audit, at (202) 218-0949 or menjie.medina@fcc.gov; or Sophie Jones, Assistant Inspector General for Audit, at (202) 418-1655 or sophila.jones@fcc.gov.

Attachment

cc: Mark Stephens, Managing Director
Narda Jones, Chief of Staff
Jae Seong, Chief Financial Officer