

memorandum

DATE: March 15, 2012

TO: Chairman

FROM:  Inspector General

SUBJECT: Audit of Federal Communications Commission Compliance with the Improper Payments Elimination and Recovery Act (Pub. L. 111-204) for Fiscal Year 2011

In accordance with Office of Management and Budget Memorandum for the Heads of Executive Departments and Agencies, M-11-16, dated April 14, 2011, the Federal Communications Commission (FCC) Office of Inspector General submits the attached documents regarding FCC compliance with the Improper Payments Elimination and Recovery Act (Pub. L. 111-204) (IPERA).

The Office of Inspector General engaged the services of independent certified public accounting firm KPMG LLP to audit FCC compliance with IPERA for Fiscal Year 2011 in accordance with generally accepted government auditing standards.

KPMG LLP's report includes an opinion on FCC's compliance with the types of requirements that could have a direct and material effect on FCC's compliance with IPERA for the year ended September 30, 2011. KPMG found that "FCC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its IPERA compliance, as defined in guidance provided on February 23, 2012 to FCC, for the year ended September 30, 2011."

KPMG also noted certain additional matters that have been reported to FCC management in a separate letter dated March 8, 2012. FCC has requested additional time to prepare their response to the management letter. We expect to receive the final management letter, with FCC responses, no later than March 31, 2012.

In connection with the contract, we attended most if not all of the interviews KPMG conducted as part of its audit; met with KPMG to discuss the audit status and any outstanding issues, reviewed KPMG LLP's report and related documentation, and made periodic inquiries of its representatives. KPMG LLP is responsible for the attached auditor's report dated March 8, 2012, and the conclusions expressed in the report. However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with U.S. generally accepted government auditing standards.

Attachment

cc: Managing Director
Chief of Staff
Chief Financial Officer



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on OMB M-11-16 Issuance of Revised Parts I and II to Appendix C of OMB Circular A-123, Part II, A, 4) and on Internal Control Over Compliance

Managing Director
U.S. Federal Communications Commission:

Inspector General
U.S. Federal Communications Commission:

Compliance

We have audited the U.S. Federal Communications Commission's (FCC) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Memorandum M-11-16 Issuance of Revised Parts I and II to Appendix C of OMB Circular A-123, Part II, A, 4) that could have a direct and material effect on FCC's compliance with the *Improper Payments Elimination and Recovery Act of 2010 (IPERA)* for the year ended September 30, 2011. Compliance with the requirements of laws, regulations, and contracts applicable to IPERA is the responsibility of FCC's management. Our responsibility is to express an opinion on FCC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Memorandum M-11-16 Issuance of Revised Parts I and II to Appendix C of OMB Circular A-123, Part II, A, 4). Those standards and OMB Memorandum M-11-16 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on IPERA compliance, as defined by OMB in guidance provided on February 23, 2012 to FCC, occurred. An audit includes examining, on a test basis, evidence about FCC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of FCC's compliance with those requirements.

In our opinion, FCC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its IPERA compliance, as defined by OMB in guidance provided on February 23, 2012 to FCC, for the year ended September 30, 2011.

Internal Control Over Compliance

Management of FCC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, and contracts applicable to IPERA compliance. In planning and performing our audit, we considered FCC's internal control over compliance with requirements that could have a direct and material effect on IPERA compliance, as defined by OMB in guidance provided on February 23, 2012 to FCC, to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Memorandum M-11-16, but not for the purpose of expressing an opinion on the



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effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the FCC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of IPERA on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of IPERA will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The FCC's response to our audit is attached. We did not audit the FCC's response and, accordingly, we express no opinion on it.

We noted certain additional matters that we have reported to management of the FCC in a separate letter dated March 8, 2012.

This report is intended solely for the information and use of the FCC's management, FCC's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 8, 2012



UNITED STATES GOVERNMENT
FEDERAL COMMUNICATIONS COMMISSION

Office of Managing Director

MEMORANDUM

DATE: March 8, 2012

TO: David L. Hunt, Inspector General

FROM: David B. Robbins, Managing Director and Mark Stephens, Chief Financial Officer

SUBJECT: Management's Response to Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on OMB M-11-16 *Issuance of Revised Parts I and II to Appendix C of OMB Circular A-123, Part II, A, 4*) and on Internal Control Over Compliance

Thank you for the opportunity to review and comment on the draft report entitled *Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on OMB M-11-16 Issuance of Revised Parts I and II to Appendix C of OMB Circular A-123, Part II, A, 4) and on Internal Control Over Compliance*. We appreciate the efforts of your team and the independent auditors, KPMG LLP, to work with the Federal Communications Commission (Commission) on this audit. The Commission worked closely with your office and the independent auditors to provide necessary and timely information to facilitate an efficient audit process.

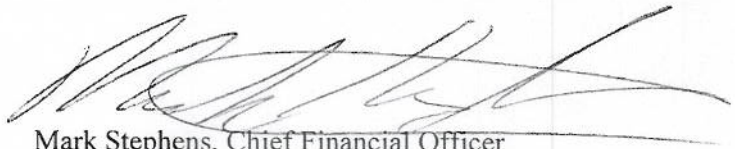
We are pleased that the auditors issued an opinion that the Commission, "complied, in all material respects," with the compliance requirements that could have a direct and material effect on its IPERA compliance, as defined by OMB in guidance provided to FCC, for the year ended September 30, 2011. The Commission takes seriously the issue of compliance with the requirements of laws, regulations, and contracts applicable to IPERA, and to reducing improper payments in the Commission's programs.

At this time we are working with you and with the independent auditors to discuss the "certain additional matters" that the independent auditors have reported to management in a separate letter dated March 8, 2012, referenced in the report.

Finally, we are committed to continually strengthening the internal controls of the Commission and its reporting components. Specifically, we look forward to addressing the comments and observations of the independent auditors, and to strengthen our compliance with OMB Circular A-123 and OMB Memorandum M-11-16 for FY 2012.



David B. Robbins, Managing Director
Office of Managing Director



Mark Stephens, Chief Financial Officer
Office of Managing Director