



Federal Communications Commission
Washington, D.C. 20554

June 23, 2011

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DA 11-1101

David Rolka
Rolka Loube Saltzer Associates
One S. Market Square, 12th Floor
Harrisburg, PA 17101

Re: Implementation Audit Performance, Oversight, and Resolution for the
Telecommunications Relay Service Program

Dear Mr. Rolka:

This letter sets forth in detail, the steps that Rolka Loube Saltzer Associates (RLSA) must take in performing audits, overseeing audits, and resolving audit findings and recommendations concerning the Telecommunications Relay Service (TRS) Fund.¹ Implementation of these procedures will facilitate the integrity of the TRS program and combat potential waste, fraud, and abuse so that the Federal Communications Commission (FCC or Commission), RLSA, and program stake holders can be assured TRS monies are being used in an efficient, effective, manner.

First, RLSA or any independent auditor that RLSA engages shall conduct audits of providers of services under the TRS Fund or contributors to the TRS Fund, in accordance with generally accepted government auditing standards, as required by section 64.604 of the Commission's rules.² In doing so, RLSA shall take steps to implement all recommendations arising from audits, investigations, and other reviews of TRS providers, including recommendations to recover funds that may have been improperly disbursed to TRS providers as identified by the Office of Inspector General (OIG), auditors working under the oversight of the OIG, auditors working under contract to RLSA, and by the Government Accountability Office (GAO). RLSA shall establish, subject to Commission approval, written audit policies and procedures consistent with the audit follow-up procedures set forth in Office of Management and Budget (OMB) Circular A-50, Audit Follow-up and FCC Directive 1013.1C, Audit Follow-up.³ In addition, RLSA's written audit policies, procedures, and procurement of audit work shall include the following:

- The auditors must adequately plan the work and properly supervise any personnel assisting with the audit process.⁴

¹ TRS Fund Administration Services Agreement, CON 11000003, para. 4.0, 5.0, sections I and L (March 7, 2011) (*TRS Agreement*)

² See 47 C.F.R. §64.604(c)(iii)(H).

³ See Office of Management and Budget, *Audit Follow-Up*, Circular No. A-50 (Sept. 29, 1982) (available at http://www.whitehouse.gov/omb/circulars_a050/) (*OMB Circular No. A-50*).

⁴ See Government Accountability Office, *Government Auditing Standards*, Section 6.04(a) (July 2007 Revision) (available at, <http://www.gao.gov/new.items/d07731g.pdf>) (*GAO Government Auditing Standards*).

- The auditors must obtain sufficient evidence to provide a reasonable basis for the conclusion that is expressed in the report.⁵;
- If the engagement report discloses internal control deficiencies, fraud, illegal acts, violations of provisions of contracts or grant agreements, or other form(s) of abuse, the auditors should obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as planned corrective actions.⁶ The OIG must also be notified in writing within seven days of the discovery of actual or suspected waste, fraud, abuse or other potential misconduct.⁷;
- The auditors should provide a draft report with findings for review and comment by responsible officials of the audited entity and others in order to help the auditors develop a report that is fair, complete, and objective. Including the views of responsible officials is more likely to result in a more balanced report that presents not only the auditors' findings, conclusions, and recommendations, but also the perspectives of the responsible officials of the audited entity.. Obtaining the comments and any proposed corrective action plans in writing is preferred, but oral comments are acceptable, so long as such comments are reduced to writing and confirmed by the commenter(s).⁸;
- When auditors receive written comments from the responsible officials, they should include in their report a copy of the officials' written comments or a verified summary of the comments received. When the responsible officials provide oral comments only, auditors should prepare a summary of the oral comments and provide a copy of the summary to the responsible officials to verify that the comments are accurately stated.⁹;
- Obtaining oral comments may be appropriate when, for example, there is a reporting date critical to meeting a user's needs; auditors have worked closely with the responsible officials throughout the conduct of the work and the parties are familiar with the findings and issues addressed in the draft report; and the auditors do not expect major disagreements with the findings, conclusions, and recommendations in the draft report, or major controversies with regard to the issues discussed in the draft report.¹⁰;
- When the entity's comments are inconsistent or in conflict with the findings, conclusions, or recommendations in the draft report, or when planned corrective actions do not adequately address the auditors' recommendations, the auditors should evaluate the validity of the audited entity's comments. If the auditors disagree with the comments, they should explain in the report the reasons for such disagreement. Conversely, the auditors should modify their report as necessary if they find the comments valid and supported with sufficient, appropriate evidence.¹¹;
- If the entity refuses to provide comments or is unable to provide comments within a reasonable period of time, the auditors may issue the report without receiving comments from the entity. In such cases, the auditors should indicate in the report that the audited entity did not provide comments.¹²; and

⁵ See *GAO Government Auditing Standards* at Section 6.04(b).

⁶ See *id.* at Section 6.44.

⁷ See *TRS Agreement* at para. 4.0, Item 32.

⁸ See *GAO Government Auditing Standards* at Section 6.45.

⁹ See *id.* at Section 6.46.

¹⁰ See *id.* at Section 6.48.

¹¹ See *id.* at Section 6.49.

¹² See *GAO Government Auditing Standards* at Section 6.50.

- A methodology to assess the existing internal controls weaknesses in audit reports and to make improvements, as necessary.

Second, RLSA must provide a monthly status report of outstanding audit recommendations that includes any responsive corrective measures, including a corrective action plan, subject to Commission approval, detailing when and how corrective measures will be implemented and completed. In implementing the recommendations from audits, investigations, and other reviews, RLSA is required to comply with applicable Commission rules, orders, and related actions. When seeking recovery of funds, RLSA shall also recover the amount of funds recommended by the OIG, independent auditors, or by the TRS Fund Administrator's internal auditors in accordance with the final audit report.

Closeout of audit findings will include appropriate documentation to substantiate the corrective actions taken. In instances where RLSA is unable to implement any audit recommendation, RLSA shall immediately notify the Office of Managing Director (OMD), Consumer Government Bureau (CGB), and OIG. This notification shall include written documentation explaining why the audit finding or related recommendation cannot be implemented. RLSA shall begin to incorporate into its monthly status report, its action plan for a recommendation, no later than 30 days from the date of the final report of the audit, investigation, or other review.

Third, RLSA shall establish goals and performance measures to track the timeliness of the completion of audits from the date fieldwork is completed until the date that the final report is issued. In doing so, RLSA shall develop audit milestones to ensure a timely audit process.

Finally, RLSA should work with the Commission to develop the measures, instructions, and guidance addressed in this letter within 90 days of its issuance. In doing so, RLSA shall also contact the Commission staff 30 days from the date of this letter to develop a plan of action.

Thank you for your attention and efforts to implementing these steps which are critical in advancing the goals of the TRS program throughout the Nation. If you have any questions or wish to discuss this letter in greater detail, please contact Andrew Mulitz (Andrew.Mulitz@fcc.gov).

Sincerely,



Mindy J. Ginsburg
Deputy Managing Director

Cc: Austin Schlick, OGC
Mark Stephens, FCC
Thomas Buckley, FCC
Andrew Mulitz, FCC
Diane Mason, FCC