FEDERAL COMMUNICATIONS COMMISSION

Agency Financial Report

Fiscal Year 2024

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I. MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Message from the Chairwoman

As Chairwoman of the Federal Communications Commission (FCC or Commission), I am pleased to present the FCC's fiscal year (FY) 2024 Agency Financial Report. This report provides financial and performance information about the FCC's activities over the course of FY 2024.

In the very first sentence of the Communications Act, Congress directs the FCC to help make communications services available to "all the people of the United States … without discrimination on the basis of race, color, religion, national origin, or sex." The Commission remains resolute in fulfilling this mandate and assuring the benefits of modern communications provide equal access to everyone, everywhere. In service of this statutory mandate, the FCC has made extraordinary progress to strengthen consumer protection, universal service, broadband access, competition, space innovation, national security, and public safety, while keeping pace with dynamic and advancing technologies. Below, I am pleased to provide highlights of initiatives being worked on by Commission staff.

This past year, the FCC restored a national standard to ensure the internet is fast, open, and fair. This decision to reclassify broadband service as a Title II telecommunications service allows the FCC to protect consumers, defend national security, and advance public safety. Through its actions, the Commission created a national standard by which it can ensure that broadband internet service is treated as an essential service. This decision also made it clear that the Commission will exercise its authority over broadband in a narrowly tailored fashion without rate regulation, tariffing, or unbundling to foster continued innovation and investment.

In addition, the Commission's Affordable Connectivity Program (ACP), the largest broadband affordability program in our nation's history, helped 23 million households pay for high-speed internet service. Across the country, I have met with people who have been able to get online and stay online thanks to this program for work, school, healthcare, and more. Although the ACP has closed due to lack of additional funding, I have remained committed to assist Congress with any efforts to fund the ACP into the future to help more families get and stay connected to the high-speed internet they need to participate in modern life.

The agency also released the fourth iteration of its National Broadband Map, the most accurate broadband map ever created, which will help close the digital divide. For decades, the Commission produced broadband maps based on Census blocks. In practice, this meant that if there was highspeed internet service in a single location in a Census block, the agency assumed there was service throughout the area. This methodology overstated service nationwide. With the National Broadband Map, we now have the first location-based broadband map of where broadband is and is not available across the United States. In doing so, the map identifies every household and small business in the country that should have access to high-speed internet service. The fourth iteration of the National Broadband Map continues to make improvements to our data collection, audit, verification, and validation processes to ensure the maps are as accurate as possible.

The FCC continued our extensive efforts to stop scam robocalls and robotexts. Robocalls and robotexts are not just exasperating, they are a pathway for fraudsters to harm consumers. So, we have been attacking them from all angles by cutting off bad actors from our networks, requiring providers to block unwanted calls, and mandating technology to stop call spoofing. As part of these efforts, in February, the agency adopted new rules making it simpler for consumers to revoke consent and requires that callers and texters implement requests in a timely manner. The Telephone Consumer Protection Act (TCPA) restricts robocalls and robotexts absent the prior express consent of the called party or a recognized exemption. Over many years, the Commission has made clear that consumers have a right to decide which robocalls and robotexts they wish to receive by exercising their ability to grant or revoke consent to receive such calls and texts. The new rules adopted this past year require that robocallers and robotexters honor do-not-call and consent revocation requests within a reasonable time, not to exceed 10 business days from receipt. In addition, we codified the Commission's 2015 ruling that consumers can revoke consent under the TCPA through any reasonable means.

We also continue to do our part to keep pace with the rapid development of the satellite sector and the growing importance of space-based communications. The space industry has entered an era of unprecedented growth, which is fueling an increase in both the complexity and the number of applications for space services before the Commission. To keep pace, we created the Space Bureau and Office of International Affairs which have been up and running and completed their first full year of hard work. In the past year, the Commission has further adopted new rules to streamline our satellite policies and expedite the processing of space and earth station applications as well as a new licensing framework for commercial space launches. And the Commission has established a new framework for the coming convergence of satellite and terrestrial convergence; we call it the Single Network Future.

Another highlight from this year is our continued implementation of the Preventing Illegal Radio Abuse Through Enforcement (PIRATE) Act and enhanced our protections of licensed broadcasters from pirate radio. In addition to tougher fines on those who violate the spectrum rights of broadcasters, the law requires the FCC to conduct periodic enforcement sweeps and grants the Commission authority to take enforcement action against landlords and property owners that knowingly permit illegal pirate radio activity on their properties.

Further, I am so proud of the FCC's award of a Technology & Engineering Emmy® by the National Academy of Television Arts & Sciences. The Academy announced in February that it has bestowed this award for the creativity and engineering design of the FCC's Broadcast Incentive Auction. The Broadcast Incentive Auction was a years-long project that allowed over-the-air TV stations to return underutilized broadcast spectrum in return for incentive payments. The innovative auction design included channel sharing options that meant that over 80 percent of the stations that relinquished their spectrum were able to remain on the air while at the same time receiving once-in-a-lifetime capital for investment in their local stations. The freed-up spectrum was simultaneously auctioned to wireless carriers, resulting in new capacity to bring consumers 5G and other broadband services.

As for management of the Commission, the FCC has again demonstrated its commitment to sound financial management and has received for the nineteenth straight year an "unmodified" opinion on its financial statements from the FCC Office of Inspector General's independent auditors. I am grateful to the FCC staff who diligently ensure the Commission maintains effective financial controls and provide all the necessary information to the independent auditors to facilitate the financial audit process. The Inspector General and its auditors have made some recommendations to the FCC for additional improvements, and the FCC concurs with these recommendations. The FCC's staff is devoted to implementing all necessary improvements to continue to strengthen the Commission's operations.

I have the privilege of leading an exceptionally talented FCC team whose knowledge, commitment, and professionalism enable us to accomplish our mission in the digital age. I thank the Commission team for their hard work, enthusiasm and dedication.

Jessica Rosenworcel
Chairwoman
November 15, 2024

Overview of the Federal Communications Commission

Introduction

Office of Management and Budget (OMB) Circular No. A-136, released on May 30, 2024, states that agencies may choose to produce either a consolidated Performance and Accountability Report (PAR) or a separate Agency Financial Report (AFR) with an Annual Performance Report (APR). The Federal Communications Commission (FCC, Agency, or Commission) has chosen to produce the AFR. The FCC will include its Fiscal Year (FY) 2024 APR with its Congressional Budget Justification and will post it on the Commission's website at https://www.fcc.gov/about/strategic-plans-budget.

The Commission's AFR includes three sections:

Section 1 consists of Management's Discussion and Analysis (MD&A) that presents a message from the Chairwoman, an overview of the FCC, including the senior leadership, Agency's mission statement, organizational structure, organizational chart, map of field offices, strategic goals and objectives, strategies and resources to achieve goals, entity components for financial statement purposes, payment integrity, performance highlights, overall status of audit recommendations, management assurances, financial management systems strategy, financial discussion and analysis, and other key financial statement analysis.

Section 2 contains the Commission's financial information. This section contains the independent auditor's reports, Commission's response to the independent auditor's reports, consolidated financial statements, notes to the financial statements, and required supplementary information.

Section 3 presents other information such as a summary of financial statement audit and management assurances, required reporting on payment integrity pursuant to the Payment Integrity Information Act of 2019, management and performance challenges from the Office of Inspector General, and information relegated to annual inflation adjustments of civil monetary penalties.

About the Federal Communications Commission

The FCC is an independent regulatory agency of the United States (U.S.) Government. The FCC is charged with regulating interstate and international communications by radio, television, wire, satellite, and cable. The Commission also regulates telecommunications, advanced communication services, and video programming for people with disabilities, as set forth in various sections of the Communications Act.

The Commission's headquarters is located in Washington, D.C. It has 13 field offices throughout the nation, including three regional offices located in Atlanta, GA, Columbia, MD, and Los Angeles, CA.

Senior Leadership

The FCC is directed by five Commissioners appointed by the President and confirmed by the Senate for five-year terms, except when filling the unexpired term of a previous Commissioner. Only three Commissioners can be from the same political party at any given time. The President designates one of the Commissioners to serve as the Chairperson.

The Chairperson serves as the Chief Executive Officer of the Commission, supervising all FCC activities, delegating responsibilities to Offices and Bureaus, and formally representing the Commission before the Congress and the Administration.

The Commission has five Commissioners. The current Chairperson and the Commissioners are:

- Chairwoman Jessica Rosenworcel
- Commissioner Brendan Carr
- Commissioner Geoffrey Starks
- Commissioner Nathan Simington
- Commissioner Anna Gomez

Mission

As specified in section one of the Communications Act of 1934, as amended, the Federal Communications Commission's (FCC or Commission) mission is to "make available, so far as possible, to all the people of the United States, without discrimination on the basis of race, color, religion, national origin, or sex, rapid, efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges." [1] In addition, section one provides that the Commission was created "for the purpose of the national defense" and "for the purpose of promoting safety of life and property through the use of wire and radio communications."[2]

Organizational Structure

The FCC is organized by function. There are seven Bureaus and eleven Offices. The Bureaus and the Offices develop and administer the FCC's policies and regulations, process applications for licenses to operate facilities and provide communications services; analyze complaints from consumers and other licensees; conduct investigations; develop and implement regulatory programs; inform and educate consumers and conduct outreach, and organize and participate in hearings, workshops, conferences, webinars and other events. Generally, the Offices provide specialized support services. The Bureaus and Offices are:

- **The Consumer & Governmental Affairs Bureau** develops and implements consumer policies, including disability access and policies affecting state, local, Tribal, and territorial governments. The Bureau also serves as the public face of the Commission through outreach and education and responds to consumer inquiries and informal complaints. The Bureau maintains collaborative partnerships with consumer-facing organizations and state, local, Tribal, and territorial government in such areas as implementation of critical initiatives, implementation of new technologies, and emergency preparedness. In addition, the Bureau's Disability Rights Office provides expert policy and compliance advice on accessibility with respect to various forms of communications for persons with disabilities. The Bureau also ensures public facing access to the Commission for persons with disabilities via a team of American Sign Language interpreters and accessible formats specialists. The Bureau's Office of Native Affairs and Policy (ONAP) maintains an active Tribal consultation, engagement and outreach program to support robust government-to-government consultation with federally recognized Tribes, Alaska Native Villages, and Native Hawaiian Organizations and in support of the Commission's efforts to close the digital divide, including on Tribal lands.

- **The Enforcement Bureau** enforces the Communications Act and the FCC's rules. Among its responsibilities, it acts to protect consumers, their privacy, and sensitive information, ensure efficient use of spectrum, further national security and public safety, promote competition, resolve disputes, and protect the integrity of FCC programs and activities from fraud, waste, and abuse.

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[1] 47 U.S.C. § 151.
[2] *Id.*

- **The Media Bureau** recommends, develops, and administers the policy and licensing programs relating to electronic media, including broadcast television and radio, cable television, and satellite television in the United States and its territories.

- **The Public Safety and Homeland Security Bureau** develops and implements policies and programs to strengthen public safety communications and interoperability, homeland security, national security, emergency management and preparedness, disaster management, and network reliability and resiliency. These efforts include rulemaking proceedings that promote more efficient use of public safety spectrum, improve public alerting mechanisms, enhance the nation's 911 emergency calling system, and establish frameworks for communications prioritization during crises. The Bureau also maintains 24/7 operations capability and promotes Commission preparedness to assist the public, first responders, the communications industry, and all levels of government in responding to emergencies and major disasters where reliable public safety communications are essential. Finally, the Bureau coordinates the Commission's national security mission and consults with the Defense Commissioner pursuant to 47 CFR § 0.181 of the Commission's rules.

- **The Space Bureau** develops, recommends, and implements policies and programs for satellite and space-based communications and activities. The Bureau strives to promote a competitive and innovative communications marketplace by leading licensing and regulatory efforts related to satellite and space-based communications while fostering the efficient use of scarce spectrum and orbital resources.

- **The Wireless Telecommunications Bureau** is responsible for wireless telecommunications programs and policies in the United States and its territories, including licensing and regulatory functions. Wireless communications services include cellular, paging, personal communications, mobile and fixed wireless broadband, and other radio services used by businesses and private citizens.

- **The Wireline Competition Bureau** develops, recommends, and implements policies and programs for wireline telecommunications, broadband, and telephone lines, as well as many policies (including, but not limited to, local number portability) that are not dependent on the technology used by the service provider, striving to promote the widespread development and availability of these services. The Bureau has primary responsibility for the Universal Service Fund which helps connect all Americans to communications networks.

- **The Office of Administrative Law Judges** is composed of one judge (and associated staff) who presides over hearings and issues decisions on matters referred by the FCC.

- **The Office of Communications Business Opportunities** promotes diversity, competition, and innovation in the provision and ownership of telecommunications and information services by supporting opportunities for small businesses, as well as women-owned and minority-owned communications businesses.

- **The Office of Economics and Analytics** provides objective economic analysis to support Commission policy making and implements agency-wide data practices and policies, including implementing significant economically-relevant data collections. The Office also manages the FCC's auctions in support of and in coordination with the FCC's Bureaus and Offices.

- **The Office of Engineering and Technology** advises the FCC on technical and engineering matters. The Office develops and administers FCC decisions regarding spectrum allocations, use of spectrum on an unlicensed basis, and coordinates use of shared spectrum with the Executive Branch. The Office also oversees the Commission's equipment authorization program to ensure radiofrequency devices comply with technical rules and rules prohibiting authorization of equipment that has been determined to pose an unacceptable risk to national security. The Office also oversees the Commission's program to promote new and innovative technologies and services.

- **The Office of the General Counsel** serves as the FCC's chief legal advisor.

- **The Office of the Inspector General** conducts and supervises audits and investigations relating to FCC programs and operations. For the first time in the Commission's history, in March 2024, a Presidentially appointed and Senate-Confirmed Inspector General was sworn in. As a result, the Office Inspector General (OIG) Group became an establishment OIG Group, which is a separate and independent OIG Group from the rest of the Commission.

- **The Office of International Affairs** oversees and coordinates the FCC's global participation in international and multilateral conferences, bilateral meetings, regional organizations, cross-border negotiations and international standard setting efforts. The Office also facilities through rulemaking and licensing the Commission's development of policies regarding international telecommunications facilities and services as well as submarine cables, and advises and makes recommendations to the Commission on foreign ownership issues. In undertaking these functions, The Office implements Commission policies to facilitate competition and foreign investment in US. international telecommunications markets while ensuring, in consultation with relevant federal partners, that national security, law enforcement foreign policy, and trade policy concerns are addressed.

- **The Office of Legislative Affairs** serves as the liaison between the FCC and Congress, as well as other Federal agencies.

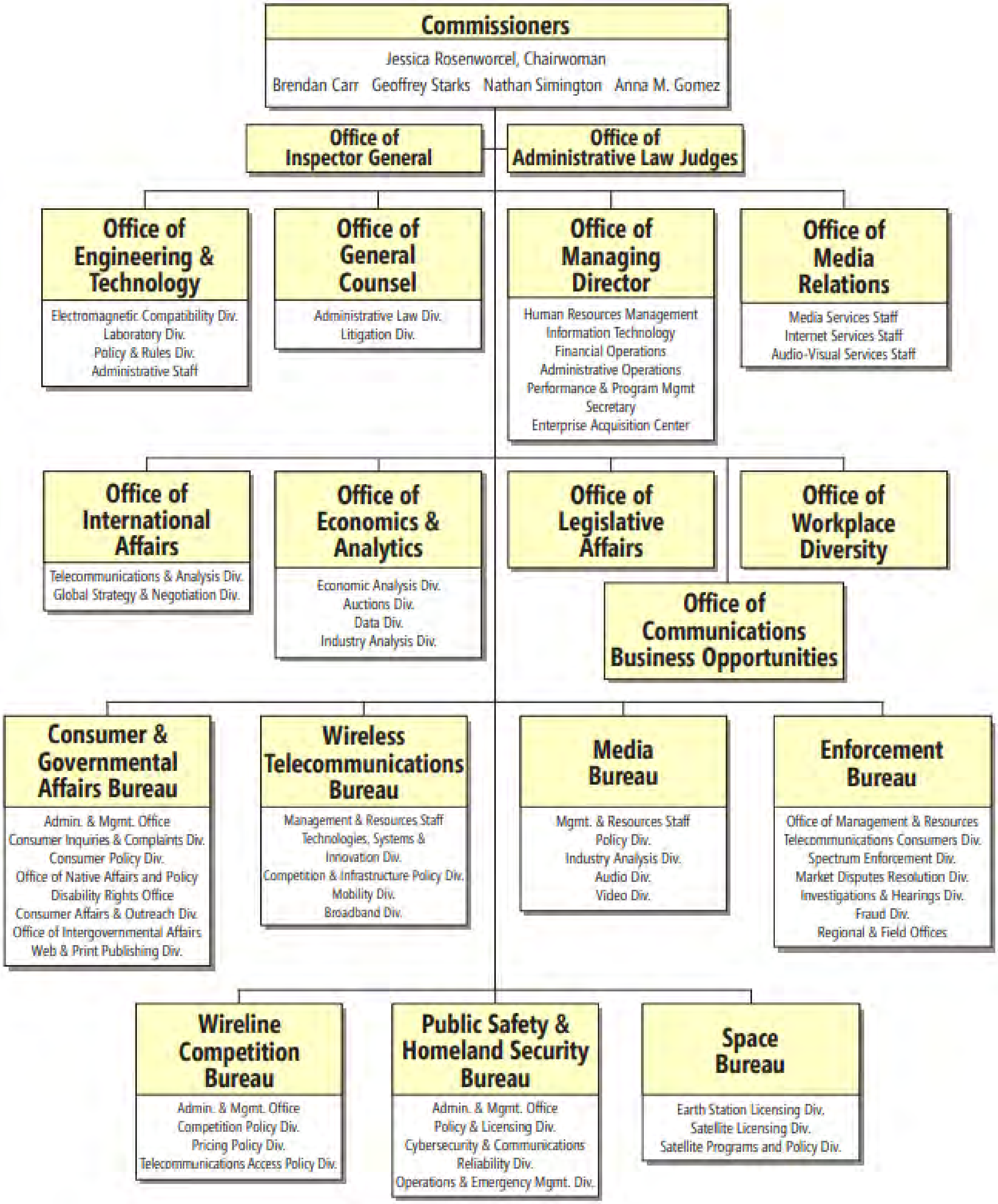
- **The Office of the Managing Director** administers and manages the FCC.

- **The Office of Media Relations** informs the media of FCC decisions and serves as the FCC's main point of contact with the media.

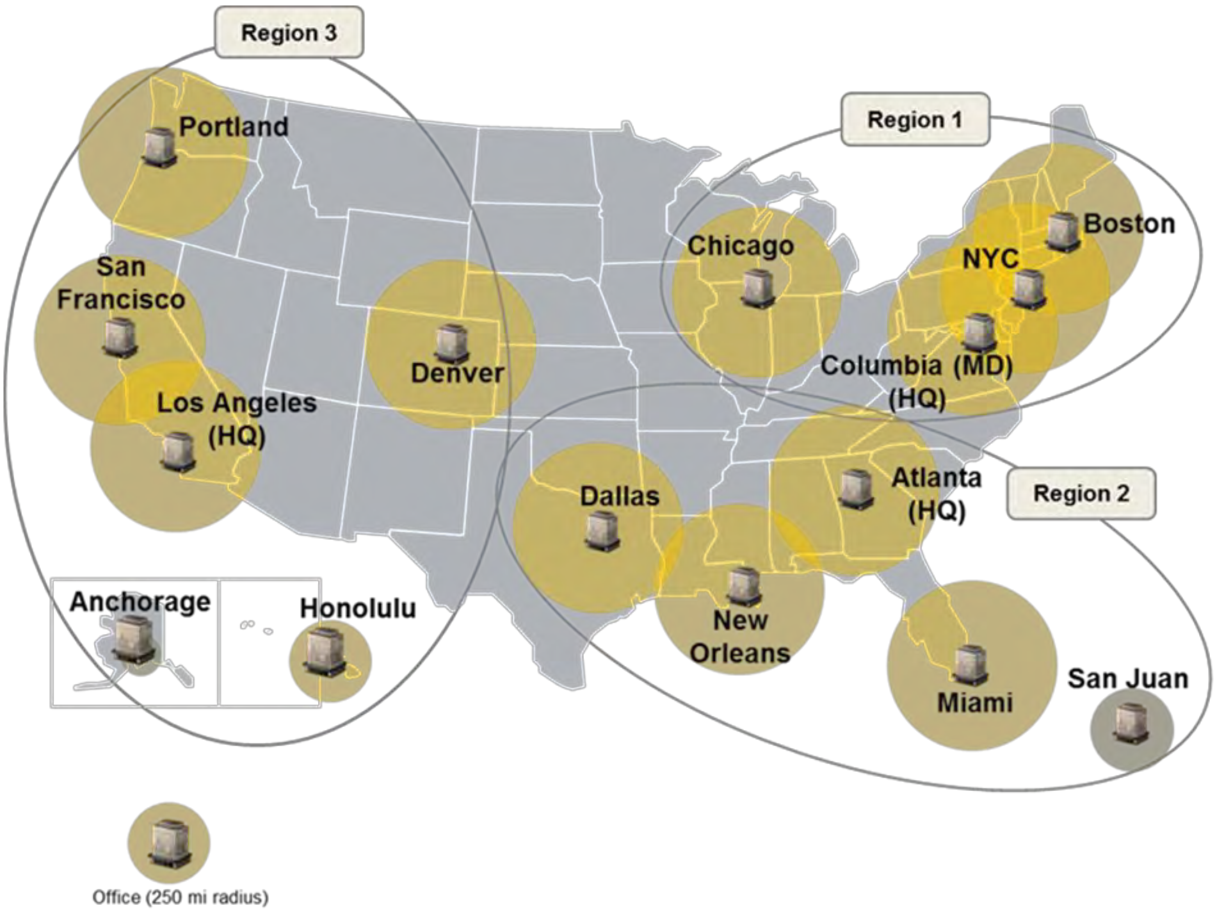
- **The Office of Workplace Diversity** develops, coordinates, evaluates, and recommends to the Commission policies, programs, and practices that foster a diverse workforce, and promotes and ensures equal employment opportunity (EEO) for all employees and applicants without regard to race, color, religion, sex (including pregnancy and gender identity), sexual orientation, national origin, age, disability (mental, intellectual, or physical), marital status, parental status, political affiliation, genetic information (including medical history), or any other basis protected by law.

Additional information on specific Bureau and Office responsibilities can be found in Title 47 of the Code of Federal Regulations and on the Commission's web site at: http://www.fcc.gov.

Organizational Chart



Map of FCC Enforcement Bureau's Field Offices



Note: The San Juan and Anchorage offices are not staffed by Full-Time Equivalents (FTEs) on a regular basis.

Strategic Goals and Objectives

Americans count on the FCC to support the connections they need for work, learning, healthcare, and access to the information we require to make decisions about our lives, our communities, and our country. The FCC will pursue policies to deploy affordable broadband for the benefit of all Americans and to promote diversity, equity, inclusion and accessibility. The FCC is also committed to advancing consumer rights, pursuing effective enforcement to protect consumers, and working to enhance competition to improve consumer choice. Furthermore, public safety is paramount to the nation, and the FCC is committed to making sure our communications networks are safe, secure, and resilient. In addition, the FCC will promote investment and advance the development and deployment of new communications technologies in an increasingly competitive global marketplace as we build a foundation for growth and opportunity for the future. The FCC, in accordance with its statutory authority and in support of its mission, has established six strategic goals. They are:

Strategic Goal 1: Pursue a "100 Percent" Broadband Policy

The COVID-19 pandemic put a spotlight on the serious broadband gaps that exist across the country, including in rural infrastructure, affordability for low-income Americans, and at-home access for students. This continuing digital divide means millions of Americans do not have meaningful access to essential infrastructure for 21st century success. In response to the challenges that many Americans face, the agency should advance access to communications that are essential for Americans to work remotely, learn remotely, receive healthcare, and engage in commerce. To this end, the FCC will pursue policies to help bring affordable, reliable high-speed broadband to 100 percent of the country.

Strategic Goal 2: Promote Diversity, Equity, Inclusion and Accessibility

The FCC will seek to gain a deeper understanding of how the agency's rules, policies, and programs may promote or inhibit advances in diversity, equity, inclusion, and accessibility. The FCC will pursue focused action and investments to eliminate historical, systemic, and structural barriers that perpetuate disadvantaged or underserved individuals and communities. In so doing, the FCC will work to ensure equitable and inclusive access and facilitate the ability of underserved individuals and communities to leverage and benefit from the wide range of opportunities made possible by digital technologies, media, communication services, and next-generation networks. In addition, the FCC recognizes that it is more effective when its workforce reflects the experience, judgement, and input of individuals from many different backgrounds, Advancing equity is core to the agency's management and policymaking processes and will benefit all Americans.

Strategic Goal 3: Empower Consumers

Consumers who are well informed about their rights and what they're buying are more confident and more likely to participate in the digital economy. The FCC will tackle new challenges to consumer rights and opportunities stemming from the COVID-19 pandemic, plans for post-COVID recovery, and digital transitions. The FCC also will pursue effective enforcement and new approaches to protect consumers from unwanted and intrusive communications, phone-based scams, telephone privacy issues, and other trends that affect consumers. The FCC will work to enhance competition and pursue policies that protect the competitive process to improve consumer choice and access to information. The FCC will work to foster a regulatory landscape that fosters media competition, diversity, and localism. The FCC also must work to ensure the availability of quality, functionally equivalent communications services for persons with disabilities.

Strategic Goal 4: Enhance Public Safety and National Security

The FCC will pursue policies and enforcement efforts to promote the availability of secure, reliable, interoperable, redundant, and rapidly restorable critical communications infrastructure and services. The FCC also will promote the public's access to reliable 911 and emergency alerting, and support public safety's access to first responder communications. The FCC will work in coordination with federal partners, state, local, and Tribal governments and territorial government partners, and industry stakeholders to support disaster response and to ensure and promote the nation's defense and homeland security.

Strategic Goal 5: Advance America's Global Competitiveness

The FCC will take action to promote investment and advance the development and deployment of new emerging communications technologies, such as 5G, that will allow the nation to remain a global leader in an increasingly competitive, international marketplace. The FCC will identify incentives and policies to close security gaps and accelerate trustworthy innovation. The FCC will work with its federal partners to advocate for U.S. interests abroad.

Strategic Goal 6: Foster Operational Excellence

The FCC should be a model for excellence in government by effectively managing its resources, maintaining a commitment to transparent and responsive processes that encourage public involvement and decision-making that best serves the public interest, and encouraging a culture of collaboration both internally and across government agencies.

Strategies & Resources to Achieve Goals

The Commission has identified strategies and resources to achieve its performance goals for each strategic goal. Details on the Commission's strategies and resources for achieving its strategic goals are included in the Commission's strategic plan at: https://www.fcc.gov/about/strategic-plans-budget.

Components of the Commission for Financial Statements Purposes

In addition to the activities directly undertaken by the above bureaus and offices, the Commission's components for financial statement purposes include:

Universal Service Fund (USF) – The Telecommunications Act of 1996 amended the Communications Act of 1934 (Act) to codify and modify the Commission's longstanding policy of promoting universal telecommunications service throughout the nation.[3] Pursuant to section 254(d) of the Act, the Commission established rules and regulations governing how certain telecommunications service providers contribute to the USF and how those monies are disbursed.[4] The four USF programs include: the High Cost Program (also known as the Connect America Fund), the Lifeline Program, the Rural Health Care Program, and the Schools and Libraries Program (also known as E-Rate).

The Universal Service Administrative Company (USAC) administers the four USF programs and the Connected Care Pilot Program (CCPP) under the Commission's direction. These four programs and the CCPP are funded through mandatory contributions from U.S. telecommunications service providers,

[3] *See* Telecommunications Act of 1996, P. L. No. 104-104, 110 Stat. 56 (1996).

[4] *See* 47 U.S.C. § 254(d).

including local and long-distance phone companies, wireless and paging companies, payphone providers, and providers of interconnected Voice over Internet Protocol (VoIP) services. The High Cost Program provides funding to eligible service providers to help defray the cost of serving customers in high cost and rural areas. The Lifeline Program provides monthly discounts to help make communications services more affordable for low-income consumers. The Rural Health Care Program provides support for both telecommunications and advanced telecommunications and information services for eligible health care providers. The E-Rate Program provides discounts for telecommunications, Internet access, and internal connections to eligible schools and libraries. Lastly, the CCPP provides support to help defray health care providers' costs of providing connected care services, particularly to low-income Americans and veterans. In FY 2024, the USF accounted for approximately $8,370 million in new available funds on the Commission's Combined Statement of Budgetary Resources. Additional information on USAC and the USF can be found at http://www.usac.org and https://www.fcc.gov/general/universal-service.

Telecommunication Relay Service (TRS) Fund – The TRS Fund represents a program established under section 225 of the Act.[5] This statute provides for a mechanism to support relay services necessary for telecommunications access by speech or hearing-impaired populations. Rolka Loube, LLC (RL) is the administrator for the TRS Fund. The TRS Fund compensates TRS providers for the reasonable costs of providing interstate telephone transmission services that enable a person with a hearing or speech disability to communicate with a person without hearing or speech disabilities. The costs of providing interstate TRS are recovered from subscribers of interstate telecommunications services. In FY 2024, the TRS Fund accounted for approximately $1,333 million in new available funds on the Commission's Combined Statement of Budgetary Resources. Additional information on RL and the TRS Fund can be found at http://www.rolkaloube.com/ and https://www.fcc.gov/general/telecommunications-relay-services-trs.

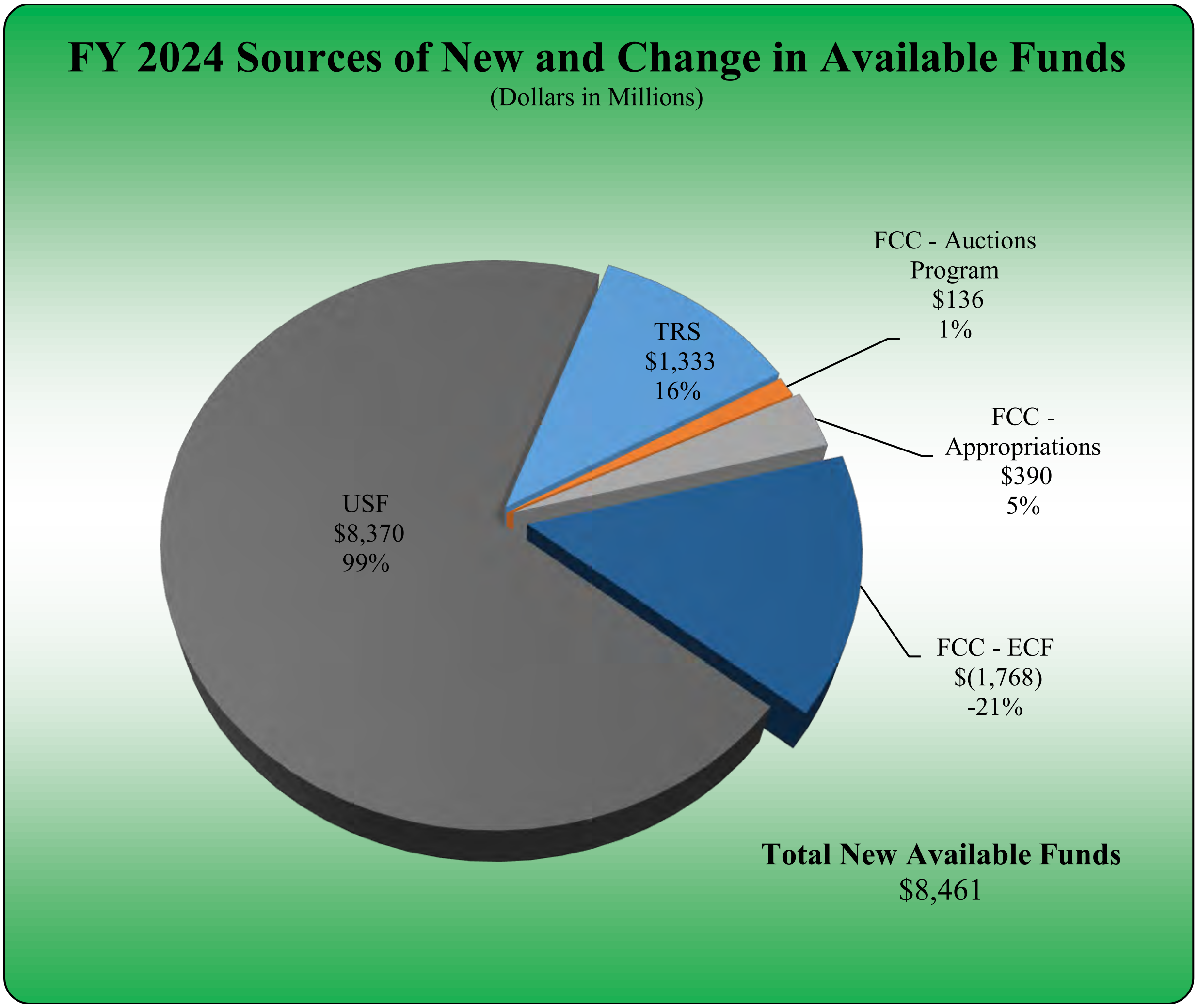
For further clarification on the financial relationships between the Commission and these components, see Note 1 of the financial statements in Section 2. Also, see the chart below which shows the relative size of the component funds in comparison to the major sources of funds for the Commission.

FCC Appropriations – Pursuant to sections 9 and 9A of the Act and the Appropriations Act, the Commission is required by Congress to assess regulatory fees every fiscal year in an amount that can reasonably be expected to equal the amount of its annual appropriation. The Commission's appropriations of approximately $390 million reflects the amount of regulatory fees the Commission is required to collect for FY 2024.

Emergency Connectivity Fund – Pursuant to Section 639 of the Further Consolidated Appropriations Act, 2024 (Public Law No. 118-47), the Commission is required to rescind the unobligated balances of amounts made available under Section 7402(c)(2)(A) of the American Rescue Plan Act of 2021 (Public Law No. 117–2) no later than September 30, 2024. The Commission fully satisfied the rescission in September 2024.

Spectrum Auctions Program – Pursuant to 47 U.S.C. § 309, the Commission may retain a portion of the spectrum auction proceeds to offset the cost of performing the auction function. The Spectrum Auctions Program spending cap of $136 million for FY 2024 is collections from auction revenues used to offset the cost of performing auctions-related activities.

[5] *See* 47 U.S.C. §§ 225(a)(3), (b)(1).



As of September 30, 2024, the Commission has the following disclosure entities which do not substantially meet the requirements of consolidated entities.

- Universal Service Administrative Company (USAC)
- National Exchange Carrier Association, Inc. (NECA)
- Local Number Portability Administrator (LNPA) Program

Payment Integrity

In accordance with the Improper Payments Information Act (IPIA) of 2002, as amended by the Improper Payments Elimination and Recovery Act (IPERA) of 2010, Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012, and Payment Integrity Information Act (PIIA) of 2019, the Commission has made significant efforts to implement policies and procedures to strengthen internal controls that prevent improper payments. In addition, the Commission oversees a payment recapture program that includes both audits and transaction testing to search for and recapture overpayments. Section 3 of the AFR provides further details on these efforts. Additional information reported by the Commission on Payment Integrity can also be found on https://paymentaccuracy.gov/.

Performance Highlights

PURSUE A "100 PERCENT" BROADBAND POLICY

The COVID-19 pandemic put a spotlight on the serious broadband gaps that exist across the country, including in rural infrastructure, affordability for low-income Americans, and at-home access for students. This continuing digital divide means millions of Americans do not have meaningful access to essential infrastructure for 21st century success. In response to the challenges that many Americans face, the agency should advance access to communications that are essential for Americans to work remotely, learn remotely, receive healthcare, and engage in commerce. To this end, the FCC will pursue policies to help bring affordable, reliable, high-speed broadband to 100 percent of the country.

FY 2024 PERFORMANCE HIGHLIGHTS

A key priority for the Federal Communications Commission (FCC) is to pursue policies to address the existing broadband gaps across the country and to bring affordable, reliable high-speed broadband to all Americans. The FCC used several mechanism and funding models to increase broadband service, including the Affordable Connectivity Program, the Emergency Connectivity Fund, the Enhanced Competition Incentive Program, and the Rural Health Care Program.

The FCC voted to reclassify broadband service as a Title II telecommunications service, allowing the FCC to protect consumers, defend national security, and advance public safety. Through its actions, the Commission created a national standard by which it can ensure that broadband internet service is treated as an essential service. The Commission will exercise its authority over broadband in a narrowly tailored fashion—without rate regulation, tariffing, or unbundling—to foster continued innovation and investment.

The FCC and Federal Trade Commission (FTC) signed a Memorandum of Understanding (MOU) to coordinate consumer protection efforts following the FCC's decision to reclassify broadband service as a Title II telecommunications service.

Affordable Connectivity Program

FCC Chairwoman Jessica Rosenworcel announced that due to a lack of additional Congressional funding, the agency officially ended the Affordable Connectivity Program (ACP) on June 1, 2024. The agency imposed an enrollment freeze in early February to help with the accurate forecasting of funding exhaustion and to smooth the administration of the ACP's end. In March, the FCC formally notified ACP providers that, due to a lack of additional funding from Congress, the agency will only be able to fully fund the program through the month of April. During the ACP wind-down process, Chairwoman Rosenworcel sent monthly letters to Congress stressing the importance of the program and the need for additional funding to keep the program going. In May, the FCC also published the statutorily mandated ACP Transparency Data Collection related to the price, subscription rates, and plan characteristics of internet service offerings of participating providers in the ACP for households as of August 1, 2023.

The FCC's Enforcement Bureau (EB) released a Notice of Apparent Liability (NAL) against K20 Wireless and its owner, Krandon Wenger, proposing a $8,083,992 forfeiture for apparent ACP and wire fraud violations related to K20's transfer of ACP subscribers to its service, assigning them false addresses in order to receive additional ACP funding for households purportedly residing on Tribal lands. The NAL also initiated proceedings to remove K20 and Wenger from the ACP and any successor programs, and EB ordered their removal on July 10.

EB released an NAL against City Communications, Inc., proposing a $16,971,253 forfeiture for apparent ACP and wire fraud violations related to improper enrollment of subscribers with fake or false identifying information. The NAL also initiated proceedings to remove City from the ACP and any successor programs, and EB ordered City's removal on May 9.

EB released an NAL against Tone Communication Services LLC, proposing a $14,021,293 forfeiture for apparent ACP and wire fraud violations related to improper enrollment of subscribers with fake or false identifying information. The NAL also initiated proceedings to remove Tone from the ACP and any successor programs, and EB ordered Tone's removal on May 9.

Emergency Connectivity Fund Program

The FCC's Emergency Connectivity Fund (ECF) is a $7.171 billion program to help schools and libraries provide tools and services their communities need for remoting learning during the COVID-19 emergency period. The ECF provides relief to millions of students, school staff, and library patrons. The initial application filing window closed on August 13, 2021, the second application filing window closed on October 13, 2021, and the third application window closed on May 13, 2022. USAC is the administrator of the ECF Program, and USAC and the FCC review and process the remaining pending applications on a rolling basis. The ECF program sunset on June 30, 2024 as the sunset date for the ECF Program following the expiration of the COVID-19 public health emergency on May 11, 2023.

As of the end of Fiscal Year (FY) 2024, the Commission had obligated approximately $5.25 billion to schools and libraries across the country as part of the ECF. As of the end of FY 2024, the program has provided support to approximately 11,500 schools, 1,070 libraries, and 128 consortia, and provided nearly 13 million connected devices and over 8 million broadband connections. Of the approximately $5.25 billion in funding obligated, approximately $2.93 billion is supporting applications from Window 1; $672 million from Window 2; and $1.65 billion from Window 3.

E-Rate Program

The FCC announced that it will allow E-Rate funding to be used for Wi-Fi on school buses beginning in funding year 2024 as the ECF program sunset on June 30, 2024. The ECF program has provided unprecedented resources to help students get and stay connected for online learning, with hundreds of school districts using this support to equip school buses with Wi-Fi connections. This action enhances the benefits and the reach of the E-Rate program to ensure that the millions of students caught in the Homework Gap can more fully engage in their learning.

The FCC voted to approve final rules to support the students, school staff, and library patrons around the country who find themselves on the wrong side of the digital and educational divide. Now, schools and libraries will be able to utilize E-Rate resources to loan out Wi-Fi hotspots beginning in funding year 2025 which will provide internet access for those individuals without a reliable connection at home.

Enhanced Competition Incentive Program

The FCC launched the Enhanced Competition Incentive Program, which incentivizes wireless licensees to make underutilized spectrum available to small carriers, Tribal Nations, and entities serving rural areas in furtherance of the Commission's "100 percent broadband policy." The FCC's Wireless Telecommunications Bureau will accept applications as part of this new program that encourages licensees to partition, disaggregate, or lease spectrum to better match available spectrum resources with entities that seek to provide needed services to under-connected communities.

Rural Health Care

The FCC's EB entered into a Consent Decree with Alaska Communications Systems Holdings, Inc. (ACS) for a total settlement value of $6,298,526, to resolve violations of competitive bidding and rural rate setting rules.

The FCC adopted rules making multiple improvements to the Rural Health Care Program, which helps rural health care providers afford the broadband connectivity needed for telehealth and telemedicine services. This action will improve program administration and increase participation by allowing health care providers that expect to become eligible in the near future to request funding sooner, aligning program deadlines, simplifying rules for calculating urban rates, streamlining administrative processes, and freeing up unused funding for other purposes.

Rural Broadband

The FCC proposed updated rules to offer greater flexibility in supporting providers' deployment of high-speed internet services in high-cost, rural communities. The Commission sought comment on changing its existing bank rating standards and allowing certain providers to reduce the value of their letter of credit sooner, freeing more capital for deployment.

The FCC issued a Public Notice authorizing approximately $18.28 billion in Enhanced Alternative Connect America Cost Model (Enhanced A-CAM) support for carriers that have accepted the offer of Enhanced A-CAM support in the states identified in an Authorization Report for a 15-year period beginning January 1, 2024. Collectively, these companies are committing to deploy broadband service of at least 100/20 Mbps service to over 700,000 locations and to maintain or improve existing 100/20 Mbps service to approximately 2 million locations in 44 states across the United States.

As of December 31, 2023, CAF-II auction-funded carriers have reported serving over 566,000 locations with voice and broadband service pursuant to their obligations; with over 50% of locations receiving broadband at speeds of at least 100/20 Mbps.

As of December 31, 2023, RDOF-funded carriers have reported serving over 844,000 locations with voice and broadband service pursuant to their obligations; with close to 100% of locations receiving broadband at speeds of at least 100/20 Mbps.

As of December 31, 2023, ACAM-I-funded carriers have reported serving over 609,000 locations with voice and broadband service pursuant to their obligations; with over 36% of locations receiving broadband at speeds of at least 100/20 Mbps.

As of December 31, 2023, ACAM-II-funded carriers have reported serving over 396,000 locations with voice and broadband service pursuant to their obligations; with over 56% of locations receiving broadband at speeds of at least 100/20 Mbps.

As of December 31, 2023, CAF BLS-funded carriers have reported serving over 1,228,000 locations with voice and broadband service pursuant to their obligations; with over 78% of locations receiving broadband at speeds of at least 100/20 Mbps.

As of December 31, 2023, Alaska Plan-funded carriers have reported serving over 62,000 locations with voice and broadband service pursuant to their obligations; with close to 23% of locations receiving broadband at speeds of at least 100/20 Mbps.

5G Fund for Rural America

The FCC adopted rules to move forward with targeted investments in the deployment of advanced, 5G mobile wireless broadband services in rural communities. The rules reignite the 5G Fund for Rural America using the FCC's new broadband coverage map, which shows that millions of homes and businesses lack mobile 5G coverage. For Phase I of the 5G Fund, the Commission will use a multi-round reverse auction to distribute up to $9 billion to bring voice and 5G mobile broadband service to rural areas of the country unlikely to otherwise see unsubsidized deployment of 5G-capable networks.

Additional Broadband Related Activities

The FCC released a Notice of Inquiry (NOI), pursuant to section 706 of the Telecommunications Act of 1996, to initiate the next annual assessment concerning the "availability of advanced telecommunications capability to all Americans."

The FCC, the U.S. Department of Agriculture (USDA), the National Telecommunications and Information Administration (NTIA), an agency of the U.S. Department of Commerce, and the U.S. Department of the Treasury (Treasury) announced that they would collaborate around the collection and reporting of certain data and metrics relating to broadband derived from programs administered by the FCC, the programs administered by the Rural Utilities Service of USDA, the programs administered by or coordinated through NTIA, and the Coronavirus Capital Projects Fund and the Coronavirus State and Local Fiscal Recovery Funds administered by Treasury.

The FCC voted to approve new rules, which will end exorbitant phone and video call rates that have burdened incarcerated people and their families for decades. Under the new rules, the cost of a 15-minute phone call will drop to $0.90 from as much as $11.35 in large jails and, in small jails, to $1.35 from $12.10. The new rules also, for the first time, address the exorbitant cost of video visitation calls, dropping those prices to less than a quarter of current prices and requiring per-minute rate options based on consumers' actual usage.

The FCC adopted a three-year, $200 million Schools and Libraries Cybersecurity Pilot Program. This program will allow the Commission to obtain actionable data about which cybersecurity services and equipment would best help K-12 schools and libraries address the growing cyber threats and attacks against their broadband networks. Modeled after the Connected Care Pilot Program, the pilot program will make $200 million in Universal Service Fund support available to participating schools and libraries to defray the costs of eligible cybersecurity services and equipment. These funds are separate from the Commission's E-Rate program, to ensure gains in enhanced cybersecurity do not undermine E-Rate's success in connecting schools and libraries and promoting digital equity.

The FCC issued a Report pursuant to its obligation under section 706, concluding its inquiry into whether advanced telecommunications capability is being deployed to all Americans in a reasonable and timely fashion. For the first time, the FCC used data from the Commission's Broadband Data Collection (BDC). The FCC found that universal service goals for section 706 have not been met, and concluded that advanced telecommunications capability is not being deployed to all Americans in a reasonable and timely fashion. Most significantly, 100/20 Mbps terrestrial fixed broadband service has not been physically deployed to approximately 7% of Americans. Rural areas and Tribal lands significantly trail more urban areas, with approximately 28% of people living in rural areas and approximately 23% of people living on Tribal lands lacking access to 100/20 Mbps fixed broadband services. The Commission's Report raised the Commission's benchmark for high-speed fixed broadband to download speeds of 100 megabits per second and upload speeds of 20 megabits per second – a four-fold increase from the 25/3 Mbps benchmark set by the Commission in 2015.

The FCC initiated a Notice of Proposed Rulemaking (NPRM) to explore how the universal service high-cost support program can continue funding fixed and mobile broadband services in Alaska—one of the hardest to serve areas in the country. The NPRM sought comment on a number of issues to help the Commission determine the most effective methodologies and uses for future universal service funding for high-cost fixed and mobile services in Alaska.

PROMOTE DIVERSITY, EQUITY, INCLUSION AND ACCESSIBILITY

The FCC will seek to gain a deeper understanding of how the agency's rules, policies, and programs may promote or inhibit advances in diversity, equity, inclusion, and accessibility. The FCC will pursue focused action and investments to eliminate historical, systemic, and structural barriers that perpetuate disadvantaged or underserved individuals and communities. In so doing, the FCC will work to ensure equitable and inclusive access and facilitate the ability of underserved individuals and communities to leverage and benefit from the wide range of opportunities made possible by digital technologies, media, communication services, and next-generation networks. In addition, the FCC recognizes that it is more effective when its workforce reflects the experience, judgment, and input of individuals from many different backgrounds. Advancing equity is core to the agency's management and policymaking processes and will benefit all Americans.

The FCC announced the implementation of a key provision of the Safe Connections Act to help survivors of domestic violence, human trafficking, and related crimes get discounted phone, internet, or bundled services through the FCC's Lifeline program. Survivors can now make a request with their service provider to separate their mobile phone lines from family plans where the abuser is on the account. Impacted survivors experiencing financial hardship can also receive up to six months of emergency Lifeline support.

The FCC launched an NPRM proposing improvements for wireless call routing to the 988 Suicide & Crisis Lifeline that would connect callers in crisis to behavioral health resources in their state or county while protecting their privacy. Calls to 988 are currently routed based on the caller's area code and exchange, which presents some obstacles to callers whose area code does not correspond to their location. The proposal would require a georouting solution to be implemented for all wireless calls to the 988 Lifeline.

The FCC launched an NRPM to examine how it can best help stop abusers from using connectivity tools in vehicles to harass and intimidate their partners. The proceeding will examine how the agency can use existing law to ensure car manufacturers and wireless service providers are taking steps to assist abuse victims and seek comment on additional steps the Commission can take to safeguard domestic violence survivors.

The FCC adopted final rules to prevent digital discrimination of access to broadband services based on income level, race, ethnicity, color, religion, or national origin. Under the Bipartisan Infrastructure Law, the FCC is required to adopt rules to ensure that all Americans have equal access to reliable, high-speed broadband services without discrimination based on the characteristics listed in the statute. The new rules establish a framework to facilitate equal access to broadband internet services by preventing digital discrimination of access. Under these rules, the FCC can protect consumers by directly addressing companies' policies and practices if they differentially impact consumers' access to broadband internet access service or are intended to do so, and by applying these protections to ensure communities see equitable broadband deployment, network upgrades, and maintenance.

The FCC implemented key provisions in the Safe Connections Act of 2022 to support survivors of domestic abuse and other related crimes seeking to maintain critical connections with friends, family, and support networks. The rules require mobile providers to separate phone lines linked to family plans where the abuser is on the account; protect the privacy of survivors by requiring providers to omit records of calls and text messages to domestic violence hotlines from consumer-facing call and text message logs; and provide support for survivors who suffer from financial hardship through the FCC's Lifeline program.

The FCC launched an NOI to explore ways the Commission's *Mapping Broadband Health in America* platform could be expanded and enhanced to help better leverage digital health tools to improve maternal care. In June 2023, the Commission updated the *Mapping Broadband Health in America* platform to reflect certain maternal health data required under the Data Mapping to Save Moms' Lives Act. The FCC sought comment on issues that will help guide the next phase of this mapping platform and inform associated data analytics work concerning the relationship between broadband and maternal health.

EMPOWER CONSUMERS

Consumers who are well informed about their rights and what they're buying are more confident and more likely to participate in the digital economy. The FCC will tackle new challenges to consumer rights and opportunities stemming from the COVID-19 pandemic, plans for post-COVID recovery, and digital transitions. The FCC also will pursue effective enforcement and new approaches to protect consumers from illegal, unwanted, and intrusive communications, phone-based scams, violations of their privacy, compromise of their sensitive data and other trends that affect consumers. The FCC will work to enhance competition and pursue policies that protect the competitive process to improve consumer choice and access to information. The FCC will work to foster a regulatory landscape that fosters media competition, diversity, and localism. The FCC also must work to ensure the availability of quality, functionally equivalent communications services for persons with disabilities.

Robocall-Related Actions

The FCC continued to act aggressively to target and eliminate unlawful robocalls:

- The FCC proposed improvements to its Robocall Mitigation Database that would increase accountability and accuracy among filers, thereby improving use of the database as a tool in the fight against unwanted robocalls. The FCC requires voice service providers to certify in the database that they have implemented caller ID authentication under the STIR/SHAKEN standards and to submit detailed plans to mitigate illegal robocall traffic to protect consumers. Inclusion in the database is a prerequisite to operate as a voice service provider in the United States.
- The FCC proposed new consumer protections against AI-generated robocalls and robotexts. The proposal sought comment on the definition of AI-generated calls, requiring callers to disclose their use of AI-generated calls and text messages, supporting technologies that alert and protect consumers from unwanted and illegal AI-generated robocalls, and protecting positive uses of AI to help people with disabilities utilize the telephone networks.
- FCC Chairwoman Jessica Rosenworcel announced a formal partnership with Georgia's Office of the Attorney General to protect consumers against robocall scams. To date, forty-nine states have agreed to partnerships with the FCC's EB designed to fight robocalls. These MOUs between state and federal robocall investigators establish critical information sharing and cooperation structures to investigate spoofing and robocall scam campaigns.
- The FCC adopted new rules to further protect consumers from unwanted robocalls and robotexts. The new rules require that robocallers and robotexters honor do-not-call and consent revocation requests within a reasonable time, not to exceed 10 business days from receipt. This action also codifies the Commission's 2015 ruling that consumers can revoke consent under the Telephone Consumer Protection Act (TCPA) through any reasonable means.
- The FCC adopted a Declaratory Ruling that recognizes calls made with AI-generated voices are "artificial" under the TCPA. The ruling, which took effect immediately, confirmed the TCPA regulated voice cloning technology used in common robocall scams targeting consumers and sharpened the tools State Attorneys General use to go after bad actors behind these robocalls.

- In November, the FCC and FTC sent separate, but coordinated, letters to specified gateway providers – including CenturyLink, Tata Communications (America), and Bandwidth. The FTC demanded the providers cease such activity and the FCC warned the providers of the consequences of failing to prevent their networks from being used to process a high volume of illegal traffic onto the U.S. network. The two agencies report that this coordinated effort appears to have reduced apparently illegal robocall traffic across multiple networks.
- The FCC adopted rules to further protect consumers from scam communications by directly addressing some of the biggest vulnerabilities in America's robotext defenses and closing the "lead generator" robocall/robotexts loophole. The new rules allow blocking of "red flagged" robotexting numbers, codifies do-not-call rules for texting, and encourages an opt-in approach for delivering email-to-text messages.
- The FCC initiated an NOI to look at how artificial intelligence technology impacts illegal and unwanted robocalls and robotexts. The NOI seeks to gather information and prepare for changes in calling and texting practices that may result from AI-influenced technology. The agency will assess both AI's potential to positively and negatively affect consumers.

The FCC undertook the following enforcement actions with respect to robocalls:

- Issued a $6 million Forfeiture Order against political consultant Steve Kramer for illegal robocalls made using deepfake, AI-generated voice cloning technology and caller ID spoofing to spread election misinformation to potential New Hampshire voters prior to the state's January primary presidential election. Kramer will be required to pay the fine within 30 days or the matter will be promptly referred to the U.S. Department of Justice for collection.
- Entered into a $1 million Consent Decree setting forth first-of-their kind Know Your Customer (KYC) and Know Your Upstream Provider (KYUP) compliance terms with Lingo Telecom, a provider that transmitted spoofed, AI-generated, illegal robocalls on behalf of Steve Kramer.
- Issued an Initial Determination Order against Veriwave Telco for not complying with FCC call blocking rules for providers suspected of carrying illegal traffic. This action moves the company one step closer to facing mandatory blocking.
- Released a first-of-its-kind enforcement action related to spoofed, deepfake illegal robocalls that targeted potential New Hampshire voters prior to the January primary. Lingo Telecom transmitted these calls, incorrectly labeling them with the highest level of caller ID attestation and making it less likely that other providers could detect the calls as potentially spoofed. Lingo Telecom faces a $2 million proposed fine for apparent violations of the Commission's caller ID authentication rules.
- As part of the Enforcement Bureau's "Spring Cleaning Initiative," issued a cease-and-desist letter against voice service provider, Alliant Financial, ordering Alliant Financial to cease and desist its origination of an illegal robocall campaign pitching debt consolidation loans. The Bureau also issued a "K4 Public Notice," notifying all U.S.-based voice service providers that they may be permitted to cease carrying Alliant Financial's call traffic.
- Issued a Public Notice identifying a group of individuals and entities known as "Royal Tiger" as the first designated Consumer Communications Information Services Threat (C-CIST) for persistently facilitating robocall campaigns aimed at defrauding and harming consumers. Royal Tiger and its associates operate in India, the United Kingdom, the United Arab Emirates, and the United States. The companies located in the United States are: PZ Telecommunication LLC, Illum Telecommunication Limited, and One Eye LLC, all of which are led by the individual Prince Jashvantlal Anand and his associate Kaushal Bhavsar. The Bureau also issued an advisory warning regulatory agencies, law enforcement partners, and industry stakeholders of the threat posed by Royal Tiger.
- As part of the Enforcement Bureau's "Spring Cleaning Initiative," issued a cease and desist letter against DigitalIPVoice. The cease-and-desist letter ordered DigitalIPVoice to stop serving as a gateway provider for an apparently illegal robocall campaign originating from overseas and

pertaining to student loan assistance programs. The Bureau also warned the company that failure to comply with the requirements outlined in the cease-and-desist letter may result in mandatory blocking by downstream providers of all traffic from DigitalIPVoice. In addition, the Bureau issued a "K4 Public Notice," notifying all U.S.-based voice service providers that they may be permitted to cease accepting traffic from DigitalIPVoice.

- As part of the Enforcement Bureau's "Spring Cleaning Initiative," issued a cease-and-desist letter against Veriwave Telco, ordering Veriwave Telco to cease and desist its origination of an apparently illegal robocall campaign pertaining to a "National Tax Relief Program." In addition, the Bureau issued a "K4 Public Notice" notifying all U.S.-based voice service providers that they may be permitted to cease accepting traffic from Veriwave Telco.
- Removed voice service provider BPO Innovate from the Robocall Mitigation Database for neither meeting its obligations to cooperate with robocall investigators nor filing a detailed plan to mitigate the presence of illegal traffic on its network. As inclusion in the database is generally necessary to operate as a voice service provider in the United States, the Commission's establishment of a regulatory process to ensure providers actively protect consumers from illegal robocalls or face removal from the database provides unprecedented leverage for the Commission to shut down illegal robocall campaigns.
- Removed certifications of 12 entities from the Robocall Mitigation Database requiring all intermediate providers and voice service providers to cease accepting calls. The FCC's EB removed the certifications of Viettel Business Solutions Company, Etihad Etisalat , Claude ICT Poland Sp. z o. o. dba TeleCube.PL, Nervill LTD, Textodog Inc. dba Textodog and Textodog Software Inc., Phone GS, Computer Integrated Solutions dba CIS IT & Engineering, Datacom Specialists, DomainerSuite, Inc., Evernex SMC PVT LTD, Humbolt Voip, and My Taxi Ride Inc from the Robocall Mitigation Database.
- Removed the certification of TELECLUB fka 2054235 Alberta Ltd. from the Robocall Mitigation Database, thus requiring all intermediate providers and voice service providers to cease accepting its calls.
- Issued a cease-and-desist letter against Texas-based Lingo Telecom—the entity that is alleged to have originated robocall traffic using AI-generated voice cloning to spread misinformation to voters prior to New Hampshire's primary election. The letter demanded the company immediately stop supporting unlawful robocall traffic on its networks. In addition, the Bureau issued a "K4 Public Notice" notifying all U.S.-based voice service providers that they may be permitted to cease accepting traffic from Lingo Telecom.
- Issued a show cause order to BPO Innovate directing the company to inform the EB why it should not be removed from the Robocall Mitigation Database.
- Ordered two companies, Solid Double and CallWin, to cease and desist their transmission of apparently illegal robocalls that have targeted American consumers. The letter issued to Solid Double represents the first enforcement action taken by the FCC in response to a complaint received through the Private Entity Robocall and Spoofing Portal. The Commission established the portal pursuant to the TRACED Act to receive information about robocalls and spoofing incidents from private entities, including small businesses and non-governmental entities.
- Sent notices to nine gateway providers to remind them not to carry or process illegal traffic from overseas.
- Announced the release of 21 new EB orders to begin removing specified non-compliant voice service providers from the agency's Robocall Mitigation Database. Companies providing voice services must take key robocall mitigation steps – including implementing STIR/SHAKEN requirements throughout their IP networks. If they fail to demonstrate that they have met these requirements, they can be removed from the database and notably, other providers will no longer take their traffic.

Additional Enforcement Actions

The FCC undertook a number of enforcement actions and investigations in fulfilling its mission to enforce the Commission's rules and protect consumers' privacy and sensitive data, shield consumers from illegal or unfair practices, and safeguard spectrum integrity for public safety, licensed commercial, and amateur uses. Results of those actions and investigations included:

- Proposed fines, totaling $1 million, against three pirate radio operators under the Preventing Illegal Radio Abuse Through Enforcement Act (PIRATE Act), for operating pirate radio stations in New Jersey and New York.
- Imposed fines under the PIRATE Act against three pirate radio operators in Miami, who received Notices of Apparent Liability (NALs) in January 2024. [The Commission imposed a $358,665 penalty against Cameron Brown for pirate radio broadcasting in Miami-Dade County, Florida, issued a $120,000 forfeiture against Abdias Datis, a/k/a DJ AJ 305, for operating an unauthorized radio station on 91.7 MHz in Miami, Florida, and issued a $358,665 fine against Brindley Marshall for operating an unauthorized radio station on 97.7 MHz in Miami, Florida.]
- Proposed a cumulative $470,605 fine against four non-compliant participating providers in the ACP for violations of the FCC's Transparency Data Collection rules.
- Issued a Forfeiture Order totaling $3,334,000 finding that the licensees of 19 station groups willfully and repeatedly failed to comply with the limits on commercial matter in children's programming.
- Affirmed a fine of $2,316,034 against Johnny Peralta for pirate radio broadcasting on 105.7 MHz in the Bronx, New York.
- Issued warnings to thirteen landowners in the New York metropolitan area for apparently allowing illegal radio broadcasting from their properties. The targets could face fines up to nearly $2.4 million if the FCC determines that they continue to permit any individual or entity to engage in pirate radio broadcasting from any properties that they own or manage.
- Proposed a $367,436 fine to ASUSTeK for apparently violating the Commission's equipment marketing rules by marketing Wi-Fi adapters and routers that were modified to operate in excess of authorized power limits.
- Fined the nation's largest wireless carriers for illegally sharing access to customers' location information without consent and without taking reasonable measures to protect that information against unauthorized disclosure. Sprint and T-Mobile – which have merged since the investigation began – face fines of more than $12 million and $80 million, respectively. AT&T was fined more than $57 million, and Verizon was fined almost $47 million.
- Proposed fines totaling $857,775 against seven pirate radio operators under the PIRATE Act for operating six pirate radio stations. [The Commission proposed a $597,775 fine under the PIRATE Act against Jean Marius, the operator of the pirate radio station "Radio Tele Planet Compas" in Brockton, Randolph, and Mattapan, MA. Renold David, operator of the pirate radio station "Lotnivo FM" in Brockton faces a $120,000 fine, and Shane Kelly, the operator of the pirate radio station "The Test 87.9 FM" in Hyannis, MA, faces a $20,000 fine. In addition, the following pirate radio operators each face $40,000 in fines: Joao Vieira, operator of the pirate radio station "Brockton FM" in Brockton; Robert Bellinger, operator of a pirate radio station, known as "TBR Radio" in Cotuit, MA; and Djovany Pierre and Mario Turner, operators of the pirate radio station, known as "Radio Tele Brockton 96.5" or "Brockton Heat", in Brockton.]
- Issued an NAL for Forfeiture finding that Mission Broadcasting, Inc., and Nexstar Media Group, Inc., apparently violated the Commission's TV ownership rules with regards to station WPIX, New York, NY.
- Affirmed a $25,000 penalty against Rocking M Media, LLC and Melia Communications, Inc. for violations of the Commission's EEO recruitment, recordkeeping and reporting rules.
- Proposed a fine of $40,000 against Brigido Danerys Gonzalez for pirate radio broadcasting on 90.1 MHz in Hazleton, Pennsylvania.

- Proposed fines under the PIRATE Act totaling over $3,500,000 against five Florida-based pirate radio operators. These actions stem from the FCC's first sweep of the Miami area under the PIRATE Act. Pirate radio is an unauthorized transmission of radio signals on the frequencies in or adjacent to the FM and AM radio bands. Pirate radio operations pose public safety risks, including causing harmful interference to licensed radio stations which transmit public safety emergency alert messages.
- Issued a $26,000 Forfeiture Order against Cumulus Licensing LLC for violations of the Commission's EEO reporting and program assessment rules.
- Proposed a fine in the amount of $1,202,454 against Sound Around, a Brooklyn-based online seller of audio and video electronics and accessories, for marketing 33 unauthorized and noncompliant radio frequency devices and for failing to comply with Commission orders.
- Proposed $22,446,000 in total fines against two applicants in the Rural Digital Opportunity Fund Phase I Auction (Auction 904) that defaulted on their bids for support.
- Issued nine warnings to landowners in the Boston area for apparently allowing illegal broadcasting from their properties. The FCC may issue a fine exceeding $2 million if it determines that a party continues to permit any individual or entity to engage in pirate radio broadcasting from any property that they own or manage.
- Proposed fines against three pirate radio operators under the PIRATE Act. This includes pirate radio stations in the Bronx, Mount Vernon, and Brooklyn, New York that may face fines totaling $6,412,068. [The Commission proposed the maximum penalty allowable under the PIRATE Act, $2,316,034, against Johnny Peralta for allegedly operating a pirate radio station known as La Mia Radio in the Bronx, New York, since 2018. The FCC also proposed the maximum fine against Dexter Blake for his suspected operation of a pirate radio station known as Linkage Radio in Mount Vernon, New York. Lastly, the FCC also proposed a $1,780,000 fine against Matthew Bowen for 89 alleged violations of FCC rules arising from operation of a pirate radio station known as Triple9HD in Brooklyn, New York.]
- Proposed an $867,000 fine against Lumen Technologies, Inc. for apparently failing to design and operate its network reasonably so as to transmit all 911 calls and to notify, as soon as possible, public safety call centers for two 911 outages that occurred in February 2022.
- Affirmed a fine of $80,000 against Thomas Barnes for pirate radio broadcasting on 100.5 MHz in La Grande, Oregon.
- Affirmed a fine of $2,316,034 against César Ayora and Luis Angel Ayora, jointly and severally, for pirate radio broadcasting on 105.5 MHz in Queens, New York.
- Proposed a $2,652,881 fine against iGEM Communications LLC for failing to contribute fully and timely to the USF, TRS Fund, and the LNP administration, and failing to submit timely reports through the Broadband Data Collection system.
- Proposed a $400,000 fine against Telco Experts, LLC for its failure to cooperate with Telecommunications Reporting Worksheets documentation requirements and its failure to file accurate Worksheets with USAC.
- Proposed a $3,175,209 fine against TouchTone Communications, Inc. for failing to file its Telecommunications Worksheet on time, to pay USF contributions on time and in full, and to pay TRS Fund contributions on time and in full.

The FCC's EB took the following actions with respect to settlements and consent decrees:

- $31.5 million settlement with T-Mobile to resolve multiple EB investigations into a series of data breaches at the company between 2021 and 2023.
- $13 million settlement with AT&T to resolve an EB investigation into the company's supply chain integrity and whether it failed to protect the information of AT&T customers in connection with a data breach of a vendor's cloud environment.

- $950,000 settlement with AT&T to resolve an EB investigation into whether the company violated FCC rules by failing to deliver 911 calls to, and failing to timely notify, 911 call centers in connection with an outage AT&T experienced on August 22, 2023, in parts of Illinois, Kansas, Texas, and Wisconsin.
- $96,000 settlement with Altice resolving EB's investigation into Altice's failure to submit reports for network outages on March 18 and July 19, 2023.
- $1 million settlement with Lingo Telecom, LLC, which transmitted illegally spoofed robocalls carrying AI-generated voice messages.
- $15 million settlement with Charter Communications to resolve an EB investigation into the company's compliance with 911 and network outage notification rules.
- $16 million settlement with TracFone Wireless to resolve investigations into whether TracFone failed to reasonably protect its customers' information from unauthorized access in connection with three data breaches.
- $10,000 settlement with Américan Móvil to resolve investigations into whether the Company's subsidiaries completed *pro forma* transfers of control without providing proper notification to the Commission,
- Settlement of nearly $35 million—a $4 million investment in privacy and data protection enhancements for Telecommunications Relay System (TRS) users, a $5 million civil penalty, a $12 million reimbursement to the TRS Fund, and relinquishment of over $13.6 million in IP Captioned Telephone Service (IP CTS) reimbursement claims with CaptionCall, and its parent company, Sorenson Communications, to resolve an investigation into the company's unlawful retention of call content beyond the duration of a call and submission of inaccurate information to the TRS Fund Administrator.
- $1 million settlement with PayG, LLC resolving the investigation into whether the Company failed to pay fully by payment deadlines, obligations required under the Commission's rules for the USF, TRS Fund, NANP administration and federal regulatory fees.
- $100,000 settlement with Liberty Latin America, through Liberty subsidiaries Liberty Mobile Puerto Rico and Liberty Mobile USVI, to resolve an investigation into whether Liberty failed to report a data breach in a timely manner as required by Commission rules and conditions of Liberty's license under a national security agreement.
- Resolved two investigations into the América Móvil Submarine Cable System, which connects the United States to two additional cable landing stations located in Colombia and Costa Rica, respectively, without the Committee for the Assessment of Foreign Participation in the United States Telecommunications Services Sector's (commonly known as Team Telecom) review or the required FCC approval. In addition to admitting the violations, LATAM Telecommunications and Puerto Rico Telephone Company will each pay a $1 million civil penalty and enter into a compliance plan.
- $100,000 settlement with Vexus Fiber, LLC, to resolve an investigation into impermissible downselling of broadband services to households eligible for ACP benefits.
- $10,000 settlement with Jefferson County Cable to resolve an investigation into whether the company submitted inaccurate filings to the Broadband Data Collection.
- $150,000 settlement with Air Voice Wireless, LLC to resolve an investigation into the company's Lifeline, Emergency Broadband Benefit (EBB), and Affordable Connectivity Program (ACP) enrollment practices.
- $17,487,000 settlement with TracFone Wireless (a Verizon subsidiary) to resolve an investigation into whether it violated the Commission's rules for its Lifeline and/or Emergency Broadband Benefit programs. In addition, TracFone also agreed to resolve a 2020 NAL for $6,013,000 for other apparent Lifeline violations.

Additional Consumer-Related Actions

The FCC adopted new rules to ensure that people with disabilities can fully participate in video conferencing, including by paving the way for the use of TRS. Building on the FCC's 2023 Order making clear that video conferencing services must be accessible to people with disabilities, the FCC voted to enhance the accessibility standards for these online tools. New performance objectives include accurate and synchronous captioning; access to third-party captioning and sign language services; and users' ability to adjust captions, video windows, and other features important for accessibility.

The FCC adopted a 5-year compensation plan for the provision of IP CTS creating separate compensation rates for IP CTS using communications assistants and IP CTS using only automatic speech recognition programs.

The FCC announced the launch of its new Mobile Speed Test app. The new app features an enhanced user interface that makes challenging the accuracy of the provider-reported mobile coverage data even easier, allows users to conduct repeated tests, and the ability for users to log into the National Broadband Map to review their speed test results and see them on a map.

The FCC adopted an Order furthering its efforts to enable individuals with disabilities to access video programming through closed captioning. The Order adopts a "readily accessible" requirement for closed captioning display settings to ensure that users are able to customize captions to fit their needs.

The FCC proposed that the agency require mobile service providers to unlock customers' mobile phones within 60 days of activation to establish a clear and uniform set of requirements for *all* mobile service providers. New unlocking rules would allow consumers to take their existing phones and switch from one mobile service provider to another more easily, as long as the consumer's phone is compatible with the new provider's wireless network.

The FCC voted to end exorbitant phone and video call rates that have burdened incarcerated people and their families. Under the new rules, the cost of a 15-minute phone call will drop to $0.90 from as much as $11.35 in large jails and, in small jails, to $1.35 from $12.10. The new rules also, for the first time, address the exorbitant cost of video visitation calls, dropping those prices to less than a quarter of current prices and requiring per-minute rate options based on consumers' actual usage.

An informal complaint order was issued against Assurance Wireless USA L.P. for failure to make its Lifeline Service accessible to individuals with vision disabilities. The order proposed remedies for how Assurance can bring its Lifeline Service into compliance and better serve its customers with vision disabilities.

The FCC launched nationwide Broadband Consumer Labels which require that internet service providers display consumer-friendly labels at the point of sale. The Broadband Consumer Labels resemble the nutrition labels that appear on food products. To ensure the label benefits all consumers, the Commission adopted language and accessibility requirements for the label's display. Labels are required for all standalone home or fixed internet service or mobile broadband plans.

The FCC proposed requiring rebates for consumers who face programming blackouts on their cable or satellite television subscription and sought public comment on this proposal.

The FCC voted to further reform its pole attachment rules and policies to promote faster and more cost-effective broadband deployment. The new rules will allow for faster resolution of pole attachment disputes and provide pole attachers with more detailed information about the poles they plan to use as part of their broadband buildouts. The new rules established a new intra-agency rapid response team and providing the team with specific criteria to apply when considering complaints.

The FCC adopted an NPRM that proposes to eliminate video service junk fees from cable operators and direct broadcast satellite (DBS) providers and to study the impact of these practices on consumer choices. The NPRM proposes customer service protections that would prohibit cable operators and DBS providers from imposing a fee for the early termination of a cable or DBS video service contract. The NPRM also recommended customer service protections to require cable and DBS providers to grant subscribers a prorated credit or rebate for the remaining whole days in a monthly or periodic billing cycle after the subscriber cancels service.

The FCC proposed that 100% of wireless handsets— namely mobile phones and smartphones—offered for sale in the United States be fully compatible with hearing aids. The NPRM tentatively concluded that a 100% Hearing Aid Compatible requirement for wireless handset models offered or imported for use in the United States is achievable.

The FCC adopted rules to protect consumers against scams that aim to commandeer their cell phone accounts. The rules will help protect consumers from scammers who target data and personal information by covertly swapping SIM cards to a new device or porting phone numbers to a new carrier without ever gaining physical control of a consumer's phone. The Report and Order revised the FCC's Customer Proprietary Network Information and Local Number Portability rules to require wireless providers to adopt secure methods of authenticating a customer before redirecting a customer's phone number to a new device or provider.

The FCC adopted a Second Report and Order which expanded audio description requirements to an additional 10 designated market areas, consistent with the Twenty-First Century Communications and Video Accessibility Act of 2010.

ENHANCE PUBLIC SAFETY AND NATIONAL SECURITY

The FCC will pursue policies to promote the availability of secure, reliable, interoperable, redundant, and rapidly restorable critical communications infrastructure and services. The FCC also will promote the public's access to reliable 911 and emergency alerting, and support public safety's access to first responder communications. The FCC will work in coordination with Federal and state, local, Tribal, and territorial government partners, and industry stakeholders to support disaster response and to ensure the nation's defense and homeland security.

The FCC took several actions to improve public safety and national security:

The Public Safety and Homeland Security Bureau (PSHSB) announced that the agency will begin accepting applications to serve as administrators for its voluntary cybersecurity labeling program for wireless consumer Internet of Things (IoT) products. The program will allow qualifying consumer smart products that meet critical cybersecurity standards to display a label, including a new U.S. government certification mark, which will help consumers make informed purchasing decisions, easily identify trustworthy products, and encourage manufacturers to prioritize higher cybersecurity standards.

The FCC voted to establish a new alert code to help save missing and endangered persons by delivering critical alert messages to the public over television, radio, and wireless phones. The new alert code will be particularly beneficial to Tribal communities, where American Indians and Alaska Natives are at a disproportionate risk of violence, murder, or vanishing.

The FCC issued a report detailing the cause and impact of a nationwide AT&T wireless service outage on February 22, 2024, that lasted at least 12 hours and prevented customers from using voice and data services, including blocking more than 92 million phone calls and more than 25,000 attempts to reach 911. The report also contains recommendations to help prevent similar outages in the future.

The FCC proposed action to help protect America's communications networks against cyberattacks by improving internet routing security. The proposal would require broadband providers to create confidential reports on the steps they have taken, and plan to undertake, to mitigate vulnerabilities in the Border Gateway Protocol (BGP), the technical protocol used to route information across the internet. The nation's largest broadband providers would also be required to file specific public data on a quarterly basis demonstrating their BGP risk mitigation progress.

The FCC proposed new rules to ensure that wireless equipment authorizations are not compromised by entities that have been found to pose national security concerns. The NPRM launched a proceeding to ensure that telecommunications certification bodies and measurement facilities that participate in the Commission's equipment authorization program, which authorizes wireless devices for marketing in or importation to the United States, are not influenced by untrustworthy actors. This new proceeding would permanently prohibit entities on the FCC's Covered List from playing any role in the equipment authorization program while also providing the FCC and its national security partners the necessary tools to safeguard this important process.

The FCC proposed a new event code option to deliver critical messages to the public over television and radio about missing and endangered adult persons. Adding a new "Missing and Endangered Persons" event code to the nation's Emergency Alert System would help law enforcement agencies to issue timely alerts in accordance with the Ashanti Alert Act and galvanize public attention to these cases.

The FCC voted to create a voluntary cybersecurity labeling program for wireless consumer IoT products. Under the program, qualifying consumer smart products that meet robust cybersecurity standards will bear a label—including a new "U.S. Cyber Trust Mark" that will help consumers make informed purchasing decisions, differentiate trustworthy products in the marketplace, and create incentives for manufacturers to meet higher cybersecurity standards.

The FCC proposed rules that would make it easier for emergency managers to send emergency alerts in non-English languages to the public over television and radio. The proposal would remove a key barrier to sending multilingual messages through the Emergency Alert System, which could in turn spur more alerts that are accessible to more people—and potentially save lives.

The FCC adopted rules that will require all wireless carriers to implement location-based routing nationwide for wireless calls and Real-Time Texts communications to 911 call centers, which can result in faster response times during emergencies and ultimately save lives.

The FCC adopted rules to improve Wireless Emergency Alerts (WEAs) by making WEA messages available in more than a dozen additional languages, including American Sign Language; adding increased functionality; and providing public information on where and how WEA is available.

The FCC's PSHSB issued a Public Notice seeking to partner with any entities that have a solution for delivering WEAs to mobile devices that are not connected to functioning cell towers.

As part of the work of the FCC's Privacy and Data Protection Task Force, the agency's EB signed MOUs with the Attorneys General of Connecticut, Illinois, New York, and Pennsylvania to share expertise, resources, and coordinated efforts in conducting privacy, data protection, and cybersecurity-related investigations to protect consumers.

The FCC took the following action to improve public safety and national security:

A data protection and cybersecurity settlement with T-Mobile to resolve the EB's investigations into significant data breaches that impacted millions of U.S. consumers. T-Mobile agreed to forward-looking commitments to address foundational security flaws, work to improve cyber hygiene, and adopt robust modern architectures, like zero trust and phishing-resistant multi-factor authentication. As part of the settlement, the company will also pay a $15.75 million civil penalty to the U.S. Treasury.

The FCC took the following enforcement actions to improve public safety and national security:

Settlement with Intelsat for operation of a satellite at an unauthorized location posing collision risks to other spacecraft. Intelsat agreed to pay $160,000 to settle the case.

Settlement with Charter for failure to notify the Commission and Public Safety Answering Points (PSAPs) regarding network outages. The Settlement included a payment by Charter of $15,000,000 and first of its kind cyber security provisions.

$1,050,000 settlement to resolve an investigation into whether Verizon Wireless violated FCC rules by failing to deliver 911 calls during an outage in December, 2022, in Alabama, Florida, Georgia, North Caroline, South Carolina, and Tennessee.

An $867,000 NAL issued to Lumen for failure to transmit 911 calls and notify impacted PSAPs of the outage.

ADVANCE AMERICA'S GLOBAL COMPETITIVENESS

The FCC will take action to promote investment and advance the development and deployment of new emerging communications technologies, such as 5G, that will allow the nation to remain a global leader in an increasingly competitive, international marketplace. The FCC will identify incentives and policies to close security gaps and accelerate trustworthy innovation. The FCC will work with its federal partners to advocate for US interests abroad.

The FCC new rules to open 1300 megahertz of contiguous spectrum for non-geostationary orbit fixed-satellite service operations in the 17.3-17.8 GHz band. This action promotes spectrum efficiency, fosters competition, and expands the ability of satellite operators to deploy advanced services, including high-speed internet access to unserved and underserved areas.

The FCC adopted rules to enable initial drone operations in the 5 GHz spectrum band for wireless communications necessary to safely control the flights of uncrewed aircraft systems (UAS). The use of UAS in the United States is growing quickly: during this decade, UAS operations are expected to triple in terms of the number of devices and see the market expand into in the tens of billions of dollars.

FCC Chairwoman Jessica Rosenworcel signed an MOU with Privacy Commissioner of Canada Philippe Dufresne to strengthen information sharing and enforcement cooperation between the two regulators on enforcement matters related to efforts to protect consumers' privacy, sensitive data and cybersecurity. The agreement establishes the parameters for the two regulators to exchange information to enforce compliance with laws in both countries and to share knowledge and expertise on regulatory policies and technical efforts.

To expedite the transition to Next Generation 911 (NG911), the FCC adopted the first NG911 transition rules that define the responsibilities and set deadlines for originating service providers to implement NG911 capabilities on their networks and deliver 911 calls to NG911 systems.

The FCC, the U.S. Department of Commerce's NTIA, and the Department of the Navy successfully collaborated to expand the unencumbered service area of a critical swath of shared mid-band spectrum. Modifications to the aggregate interference model used in the 3.5 GHz band would allow the Citizens Broadband Radio Service to provide uninterrupted access to mid-band spectrum that supports wireless internet and other services to approximately 72 million more people.

The FCC adopted rules to establish a new regulatory framework to revolutionize connectivity across the United States. The world's first supplemental coverage from space framework leverages cutting-edge satellite technology to extend the reach of wireless networks to remote areas. This will enable collaborations between wireless carriers and satellite operators to make sure smartphone users stay connected even in areas where there is no terrestrial mobile service.

The FCC and the United Kingdom Office of Communications announced a new framework for cooperation to combat illegal robocalls and robotexts. The regulatory agencies agreed to cooperate and share information to further their shared interests in protecting consumers and ensuring the integrity of communications networks.

The FCC and the Information Commissioner's Office of the United Kingdom announced a formal partnership to cooperate on enforcement matters related to unlawful robocalls and robotexts as well as efforts to protect consumers' privacy and sensitive data. Both agencies also serve as Executive Members of the global Unsolicited Communications Enforcement Network. This MOU will strengthen cooperation and collaboration between the agencies.

The FCC's Office of Engineering and Technology approved seven applications for automated frequency coordination systems to operate spectrum management services in the 6 GHz band under the FCC's rules for unlicensed operations. This is critical to allowing standard power Wi-Fi to begin operating in the 6 GHz band.

The FCC proposed a framework for licensing in-space servicing, assembly, and manufacturing (ISAM) activities. As part of its Space Innovation Agenda, the FCC proposed changes to its part 25 rules to support the development of these novel space activities. ISAM refers to a set of capabilities used on-orbit, on the surface of space objects and celestial bodies, and in transit.

The FCC adopted rules to allow a new, more spectrally efficient wireless microphone technology to operate. Wireless Multi-Channel Audio Systems (WMAS) use spectrum more efficiently than currently available narrowband microphones, meaning more microphones can be used without allocating more airwaves. The rules will permit WMAS to operate on a licensed or unlicensed basis, while preserving the existing spectrum rights of others that share those frequencies.

The FCC adopted an Order on Reconsideration addressing petitions regarding the Commission's orbital debris mitigation rules. The Order on Reconsideration provides clarity and guidance to satellite operators on compliance with orbital debris mitigation policies adopted in 2020 as part of the first comprehensive update of the rules since their adoption in 2004.

The FCC opened the 6 GHz band to a new class of very low power devices that will operate alongside other Wi-Fi-enabled devices. The 6 GHz band is important for next generation Wi-Fi operations.

The FCC's Space Bureau announced the first steps in its transparency initiative for satellite applicants. The transparency initiative will provide user-friendly information and guidance to interested parties about the Commission's procedures and what is needed to obtain authorization for satellite and earth station operations.

The Infocomm Media Development Authority of Singapore and the FCC signed an MOU to strengthen cross-border efforts to combat unsolicited and unlawful communications including scams.

The FCC took the following enforcement actions:

A settlement with DISH for ending a satellite's mission at an unauthorized orbital altitude. DISH agreed to settle this Orbital debris case for $150,000.

A settlement with Intelsat for operation of its Galaxy 35 satellite at an unauthorized location posing collision risks to other spacecraft. Intelsat agreed to pay $160,000 to settle the case.

FOSTER OPERATIONAL EXCELLENCE

The FCC should be a model for excellence in government by effectively managing its resources, maintaining a commitment to transparent and responsive processes that encourage public involvement and decision-making that best serves the public interest, and encouraging a culture of collaboration both internally and across government agencies.

In a Memorandum Opinion and Order, the FCC approved the assignment of licenses held by Audacy License, LLC, as Debtor-in-Possession (Assignor) and Audacy License, LLC (Assignee), which had been under the control of a bankruptcy court, to the new Audacy, so that the company could emerge from bankruptcy proceedings.

The FCC adopted the regulatory fee schedule to assess and collect $390,192,000 in congressionally required regulatory fees for FY 2024.

The FCC adopted an NPRM with a proposal to implement new AI transparency requirements. This proposal aims to increase transparency by having those who already have legal duties to file information about their TV and radio advertisements with the FCC indicate if AI is being used and make on-air disclosure of AI use. It does not propose the prohibition of such content, only disclosing the use of AI within political ads.

The FCC launched a proceeding to update its rules for Low Power Television Service (LPTV), which includes Class A television, low power television, and TV translator stations. The NPRM proposed that LPTV stations maintain an online public file to inform the public of a station's operations and facilitate community engagement.

The FCC adopted a new verification requirement and clarified existing requirements for the identification and disclosure of foreign sponsorship of broadcast programming. The new approach provides licensees with two options for demonstrating that they have met their duty in seeking to obtain information needed to determine whether the programming being provided by a lessee is sponsored by a foreign governmental entity.

The FCC announced member appointments to the Federal-State Joint Board on Universal Service (Universal Service Joint Board) and the Federal-State Joint Board on Jurisdictional Separations (Separations Joint Board).

The FCC released a Public Notice to inform the Commission's required assessment of the state of competition in the communications marketplace in its upcoming 2024 Communications Marketplace Report to Congress. The FCC sought data, information, and comment on a wide range of issues relevant to the state of competition in the communications marketplace as a whole and requested that commenters submit information, data, and statistics for 2022 and 2023, as well as information on any notable trends and developments that have occurred during early 2024.

The FCC sought comment in an NPRM on the current state of the video marketplace, ways to help foster diverse and independent video programming, and how current obstacles to MVPD/online carriage impact consumers.

The FCC adopted rules allowing FM booster stations to originate programming, subject to future adoption of processing, licensing, and service rules as proposed in a Further Notice of Proposed Rulemaking. The Commission found that it is in the public interest to allow FM and LPFM broadcasters to use booster stations to originate content on a limited basis.

The FCC adopted new rules requiring cable and satellite TV providers to specify the "all-in" price clearly and prominently for video programming service in their promotional materials and on subscribers' bills. The FCC aims to eliminate the misleading practice of describing video programming costs as a tax, fee, or surcharge.

The FCC reinstated the collection of workforce composition data from broadcasters on Form 395-B, addressing the reinstatement of collection of Form 395-A data. The Commission suspended its requirement that broadcast licensees file Form 395-B, which collects race, ethnicity, and gender information about a broadcaster's employees within specified job categories, more than two decades ago. The FCC reaffirmed the Commission's authority to collect this critical information and conclude that broadcasters should resume filing Form 395-B on an annual basis.

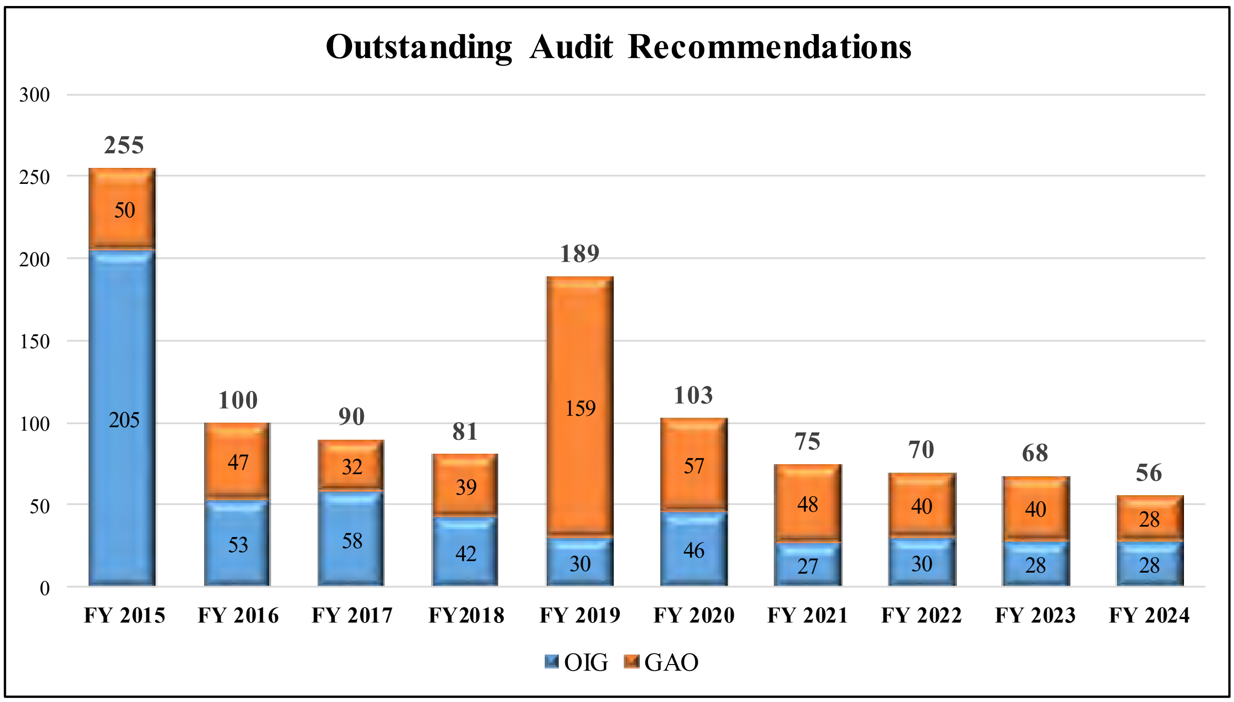
The FCC adopted a proposal to advance the Commission's longstanding policy goal of supporting local journalism and broadcasters' commitment to meet the needs and interests of local communities. The proposal explores incentivizing the production of local programming by prioritizing the processing and review of applications from broadcast stations that invest in and prioritize local programming in communities across the country.

The FCC adopted rules to incentivize innovation and experimentation in the amateur radio bands by removing outdated restrictions and providing licensees with the flexibility to use modern digital emissions. The changes will enable the amateur radio community to operate more efficiently, including in support of emergency situations when appropriate, and foster experimentation, which is a core principle of the amateur radio service.

Overall Status of Audit Recommendations

The chart below shows the number of audit recommendations outstanding, both public and non-public, from various audits conducted by FCC's Office of Inspector General (OIG) and the Government Accountability Office (GAO) as of September 30, 2024. The numbers shown below exclude those recommendations for which the Commission has already submitted information to GAO and OIG requesting closure of the recommendation. The count also excludes those recommendations that the Commission has determined to be closed as not implemented. For FY 2024, the Commission has implemented (closed) 66 outstanding recommendations, received 54 new and reopen recommendations, and finished the month of September 2024 with a total of 56 open recommendations. In FY 2019, there was a large number of new recommendations received just before the fiscal year end, which led to the increased number of open recommendations in that fiscal year.

As can be seen by the reduction of open recommendations at the end of FY 2024, the Commission has been actively working to implement (close) open recommendations as quickly as possible. The Commission will continue to work as quickly as possible to implement (close) the outstanding recommendations.



Management Assurances

Section 2 of the Federal Managers' Financial Integrity Act of 1982 (FMFIA) establishes overall requirements with regard to internal control. FMFIA requires agencies to establish controls that reasonably ensure that: (i) obligations and costs are in compliance with applicable laws; (ii) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and (iii) revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports, and to maintain accountability over assets. Pursuant to FMFIA's requirements, agencies must annually evaluate their system of internal controls and report on the results of those evaluations through management assurance statements.

In accordance with Office of Management and Budget (OMB) guidance related to FMFIA, OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, the Commission maintains internal controls for financial and management reporting that provide reasonable assurance that the consolidated financial statements fairly present information related to assets, liabilities, and net position and do not contain material misstatements. Transactions are executed in accordance with budgetary and financial laws, consistent with the Commission's statutory requirements, and are recorded in accordance with Federal accounting standards. Additionally, assets are properly acquired, used, and safeguarded to deter theft, accidental loss or unauthorized disposition, and fraud. Furthermore, the Commission's internal controls provide for the reliability and completeness of its financial and performance data.

The FY 2024 auditors' report identified a repeated significant deficiency in Information Technology controls collectively related to risk management, configuration management, identity and access management, and information security continuous monitoring. The Commission will make every effort in FY 2025 to implement corrective action plans for each of the recommendations associated with these findings to avoid any repeat findings in these areas.

Status of Internal Controls – Section 2 of FMFIA

During FY 2024, the Commission continued its efforts to improve and strengthen its internal controls over operations and financial reporting by building upon continuing improvements to its risk assessment processes. The Commission continued to improve its pre-existing processes for internal control evaluation, both at the Commission and at its reporting components, USF and TRS. The Commission's risk assessment process integrates the latest versions of the Government Accountability Office's (GAO), *Standards for Internal Control in the Federal Government* (Green Book), as well as OMB's Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Utilizing GAO's Green Book as a blueprint, the Commission's entity level risk assessment tool is completed each fiscal year by its Bureaus and Offices as well as its reporting components. Furthermore, utilizing the GAO's Fraud Risk Framework the Commission continued Fraud Risk Management within the agency, including the new appropriated programs.

The FCC has a Fraud Risk Group to serve as the governing body for FCC's Fraud Risk Management. Additionally, FCC's Senior Management Council (SMC) continued its oversight of the Commission's entity level risk assessments as part of its overall Enterprise Risk Management process pursuant to OMB Circular A-123. The SMC includes representatives from across the Commission's Bureaus and Offices to more fully integrate the Commission's internal control assessment processes into the operations of the Bureaus and Offices while also identifying, monitoring, and mitigating risks throughout the year. While the Commission has received unmodified opinions over its consolidated financial statements for the nineteenth consecutive year, the Commission understands that maintaining proper internal control requires continuous review of its internal controls and implementing improvements to them on an ongoing basis.

Financial Management Systems – Section 4 of FMFIA

Section 4 of FMFIA and the *Federal Financial Management Improvement Act of 1996* (FFMIA) requires agencies to report on whether their financial management systems provide reliable, consistent disclosure of financial data and conform to government-wide requirements. In FY 2024, the Commission's financial management systems were in compliance with government-wide requirements. The Commission continues to work with its reporting components on their financial systems.

Statement of Assurance

Commission management is responsible for managing risks and maintaining effective internal controls to meet the objectives of Sections 2 and 4 of FMFIA. The Commission conducted its assessment of risk and internal control in accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of the assessment, the Commission can provide reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively and financial management systems conform to government-wide standards as of September 30, 2024.

Jessica Rosenworcel
Chairwoman
November 15, 2024

Financial Management Systems Strategy

The Commission's financial management system, Genesis, is a Momentum based product that serves as the financial accounting system of record and provides for the core accounting services of the Commission. These services include: funds control, budget execution, general ledger, accounts payable, accounts receivable, financial reports, and access controls. Genesis facilitates compliance with the Federal Managers' Financial Integrity Act (FMFIA), and the maintenance of an unmodified financial audit opinion.

Genesis continues to support the accounting for the spectrum auctions program at the Commission, including the activities under the Spectrum Act, which provides for the reimbursement of relocation expenses for eligible entities. The Commission Registration System (CORES) allows eligible entities to seek reimbursement and enter their banking information into CORES online, and allows an entity to view their available balance for reimbursement along with the history of payments made to the entity. Additionally, Genesis supports efficiency initiatives, including the Invoice Processing Platform (IPP), which reduces the paper chain associated with the document review process and reduces, and/or eliminates, instances of duplicate data entry, the Treasury G-Invoicing Initiative and the IRS Employer Identification Number Initiative (EIN.) Genesis also provides self-service capability for the Bureaus and Offices to execute accounting functions, including business analytics for decision making.

In support of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136), the Consolidated Appropriations Act, 2021 (P.L. 116-260), the American Rescue Plan Act of 2021 (P.L. 117-2), and the Infrastructure Investment and Jobs Act, 2021 (P.L. 117-58), the Commission continues to leverage the scalable functionality of Genesis and IPP to quickly accommodate requirements for the five programs—COVID-19 Telehealth Program (Round 2), Emergency Broadband Connectivity Fund – Emergency Broadband Benefit Program, Emergency Connectivity Fund, the Secure & Trusted Communications Network Reimbursement Program, and the Affordable Connectivity Program—mandated to the Commission under these laws. Financial Operations systems continue to take on an expanding role in support of the Commission's mission, including these five programs. Additional financial system activities continue to support these programs in the areas of: eligibility determinations of requested services and items, applicant registration process, applicant registration with the federal System for Award Management (SAM), utilization of the Treasury's Do Not Pay (DNP) system, and processing applicants' reimbursement requests.

The Commission continues to optimize financial management system controls through ongoing monitoring reviews, business process engineering initiatives and implementation of best practices, including the hosting of Genesis in a Cloud environment. In FY 2024, additional Commission financial legacy systems were modernized, continuing to decrease operations and maintenance costs and supporting efficiency initiatives. Additionally, the Commission continues to maintain a steady state within the core financial system and fully utilizes Genesis' features and functions, aligning financial system activities with the Commission's business management goals. The Commission's financial management system strategy continues to build on processes that: improve internal controls; increase integration; implement tools that enhance budget formulation and performance; and improve financial coordination with our reporting components.

Financial Discussion and Analysis

UNDERSTANDING THE FINANCIAL STATEMENTS

The Commission is committed to excellence and accuracy in financial reporting, transparency, and financial management. Preparing the Commission's financial statements is part of the goal to improve financial management and provide accurate and reliable financial information that is useful for assessing performance and allocating resources. The Commission's management is responsible for the integrity and objectivity of the information presented in the financial statements. For the nineteenth consecutive year, the Commission's financial statements have received an unmodified or clean audit opinion from the independent external auditors hired by the Office of Inspector General.

The principal financial statements have been prepared to report the financial position and results of operations of the Commission. The statements have been prepared from the books and records of the Commission, in accordance with U.S. generally accepted accounting principles (GAAP) for federal entities. The financial statements and notes are presented in accordance with Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements—Revised*, dated May 30, 2024.

This section presents a summary analysis of key financial statement core business activities. The principal financial statements include: the Consolidated Balance Sheet, the Consolidated Statement of Net Cost, the Consolidated Statement of Changes in Net Position and Custodial Activity, and the Combined Statement of Budgetary Resources. This section also summarizes the financial activity and net position of the Commission. The complete set of principal financial statements is included in Section 2 of this report.

A summary of the Commission's major financial activities in Fiscal Years (FYs) 2024 and 2023 is presented in the table on the next page. This table represents the resources available for use (assets) against the amount owed (liabilities) and the amount that comprises the difference (net position). The net cost represents the gross cost of operating the Commission's lines of business less earned revenue. Budgetary resources represent funds made available to the Commission.

CHANGES IN FINANCIAL POSITION IN FY 2024
Consolidated
(Dollars in Thousands)

Net Financial Condition	FY 2024	FY 2023	Increase (Decrease)	Percentage Change
Intragovernmental assets:				
Fund Balance with Treasury	$ 12,494,592	$ 22,556,872	$ (10,062,280)	-45%
Accounts Receivable, Net	3	3	-	-
Advances and Prepayments	3,093	3,325	(232)	-7%
Total Intragovernmental assets	$ 12,497,688	$ 22,560,200	$ (10,062,512)	-45%
Other than intragovernmental assets:				
Accounts Receivable, Net	$ 1,005,643	$ 807,909	$ 197,734	24%
Property, Plant and Equipment, Net	117,220	104,587	12,633	12%
Advances and Prepayments	13,024	13,024	-	-
Total Other Than Intragovernmental Assets	$ 1,135,887	$ 925,520	$ 210,367	23%
Total Assets	**$ 13,633,575**	**$ 23,485,720**	$ (9,852,145)	-42%
Liabilities				
Intragovernmental Liablities:				
Accounts Payable	$ 474	$ 264	$ 210	80%
Advances from Others and Deferred Revenue	571	522	49	9%
Other Liabilities				
Liability to the General Fund of the U.S. Government for Custodial and Other Non-entity Assets	3,303,577	3,091,621	211,956	7%
Other Liabilities	2,198	4,545	(2,347)	-52%
Total Other Liabilities	3,305,775	3,096,166	209,609	7%
Total Intragovernmental Liabilities	$ 3,306,820	$ 3,096,952	$ 209,868	7%
Other Than Intragovernmental Liabilities:				
Accounts Payable	$ 579,186	$ 1,145,956	$ (566,770)	-49%
Federal Employee Salary, Leave, and Benefits Payable	33,118	24,089	9,029	37%
Pensions, and Post Employment-related Benefits	2,113	2,332	(219)	-9%
Advances from Others and Deferred Revenue	80,499	385,136	(304,637)	-79%
Other Liabilities				
Prepaid Contributions	77,110	64,111	12,999	20%
Accrued Liabilities for USF and TRS	530,107	558,438	(28,331)	-5%
Deposit/Unapplied liability	1,491	2,945	(1,454)	-49%
Other	5,878	25,804	(19,926)	-77%
Total Other Liabilities	614,586	651,298	(36,712)	-6%
Total other than intragovernmental	$ 1,309,502	$ 2,208,811	$ (899,309)	-41%
Total Liabilities	**$ 4,616,322**	**$ 5,305,763**	$ (689,441)	-13%
Unexpended Appropriations-Funds from Dedicated Collections	$ 754,135	$ 753,872	$ 263	0%
Unexpended Appropriations-Funds from other than Dedicated Collections	1,981,379	10,781,318	(8,799,939)	-82%
Total Unexpended Appropriations	$ 2,735,514	$ 11,535,190	$ (8,799,676)	-76%
Cumulative Results of Operations-Funds from Dedicated Collections	5,923,033	6,332,446	(409,413)	-6%
Cumulative Results of Operations-Funds from other than Dedicated Collections	358,706	312,321	46,385	15%
Total Cumulative Results of Operations	$ 6,281,739	$ 6,644,767	$ (363,028)	-5%
Total Net Position	**$ 9,017,253**	**$ 18,179,957**	$ (9,162,704)	-50%
Total Liabilities and Net Position	**$ 13,633,575**	**$ 23,485,720**	$ (9,852,145)	-42%
Net Cost of Operations	**$ 17,116,265**	**$ 18,037,917**	$ (921,652)	-5%
Total Budgetary Resources	**$ 10,685,355**	**$ 13,417,769**	$ (2,732,414)	-20%

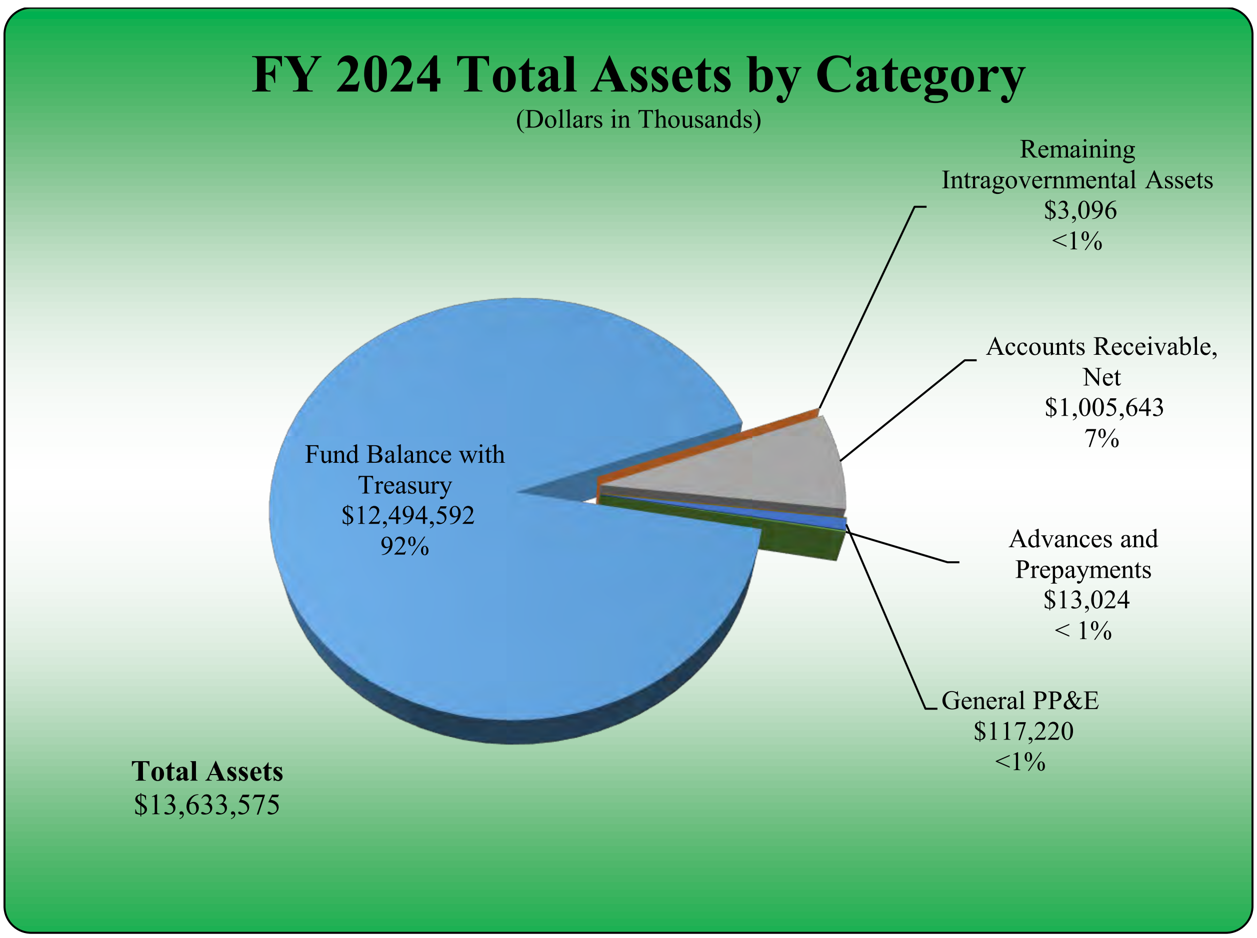
The following is a brief description of the nature of each required financial statement and its relevance, including a description of certain significant balances on Commission operations.

Consolidated Balance Sheet: The Consolidated Balance Sheet presents the total amounts available for use by the Commission (total assets) and the amounts owed by the Commission (total liabilities). Fund Balance with Treasury represents 92 percent of total assets as of September 30, 2024.

The pie chart below presents the total assets of the Commission as of September 30, 2024. The Fund Balance with Treasury of $12,495 million is primarily related to the Universal Service Fund (USF), the Affordable Connectivity Fund – Affordable Connectivity Program (ACF-ACP), the Emergency Connectivity Fund (ECF), the Supply Chain Reimbursement Program (SCRP), and the spectrum auctions program.

There is a decrease in Fund Balance with Treasury in FY 2024 when compared to FY 2023. The decrease is primarily related to ECF's rescission and increased program participant reimbursement activities throughout FY 2024 for the ACF-ACP and the SCRP.

The Accounts Receivable balance of $1,006 million is primarily due to USF receivables totaling $771 million.



The pie chart below presents the total liabilities of the Commission as of September 30, 2024. The Commission's most significant liabilities are Total Intragovernmental of $3,307 million and Accounts Payable of $579 million, which accounted for 84 percent of total liabilities as of September 30, 2024.

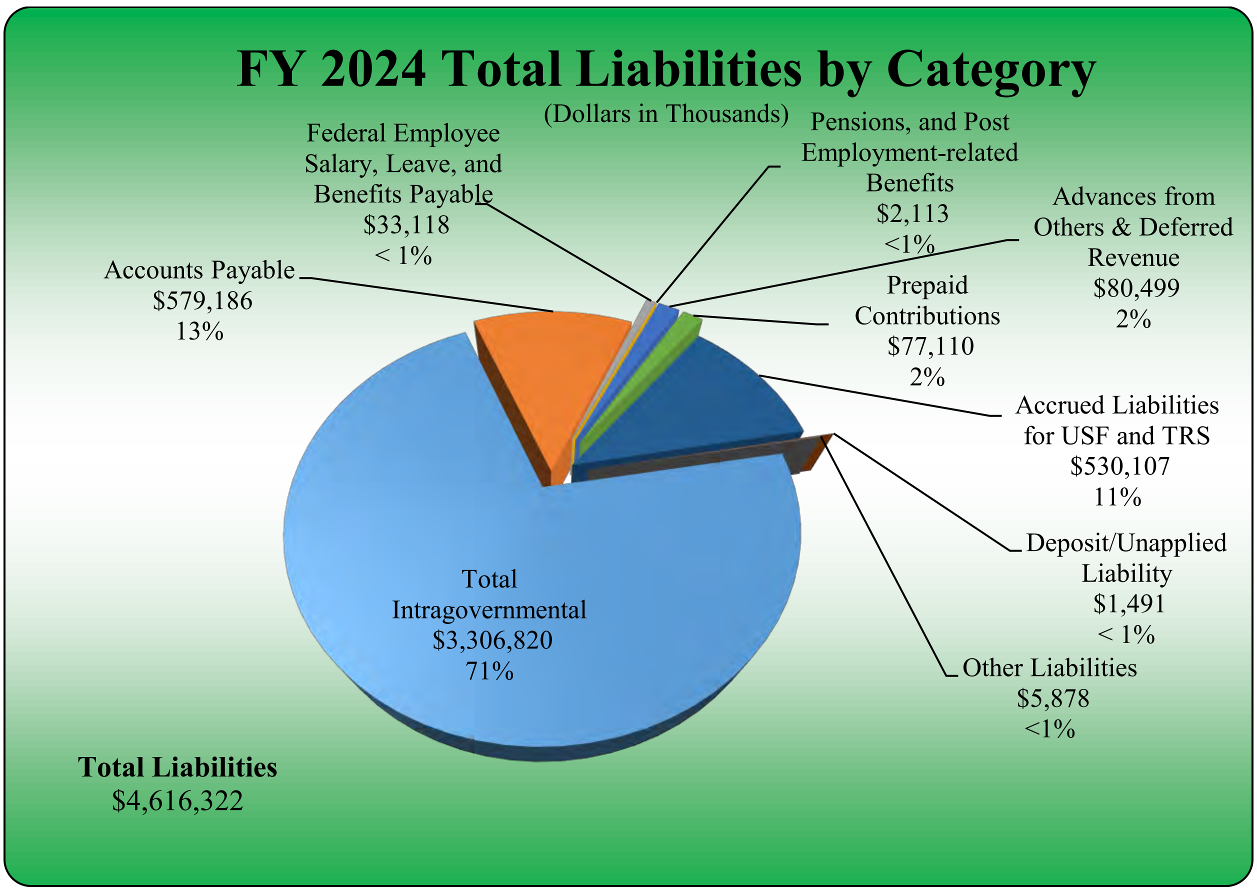
The Total Intragovernmental is primarily composed of custodial collections earned from spectrum auctions program and miscellaneous receipts.

The Accounts Payable balance is primarily comprised of the expense accrual for ACF-ACP, the Enhanced Alternative Connect American Cost Model (E-ACAM), the Rural Digital Opportunity Fund (RDOF), and the E-Rate program. The significant decrease is primarily due to winding down of ACP.

The Accrued Liabilities for USF and TRS represent the expected October (FY 2025) payments for the USF's High Cost Legacy Support, Lifeline Program, and the expected October and November (FY 2025) payments for the TRS Program.

The Prepaid Contributions balance is mainly due to contributor credit balance to be refunded for USF's programs as of September 30, 2024.

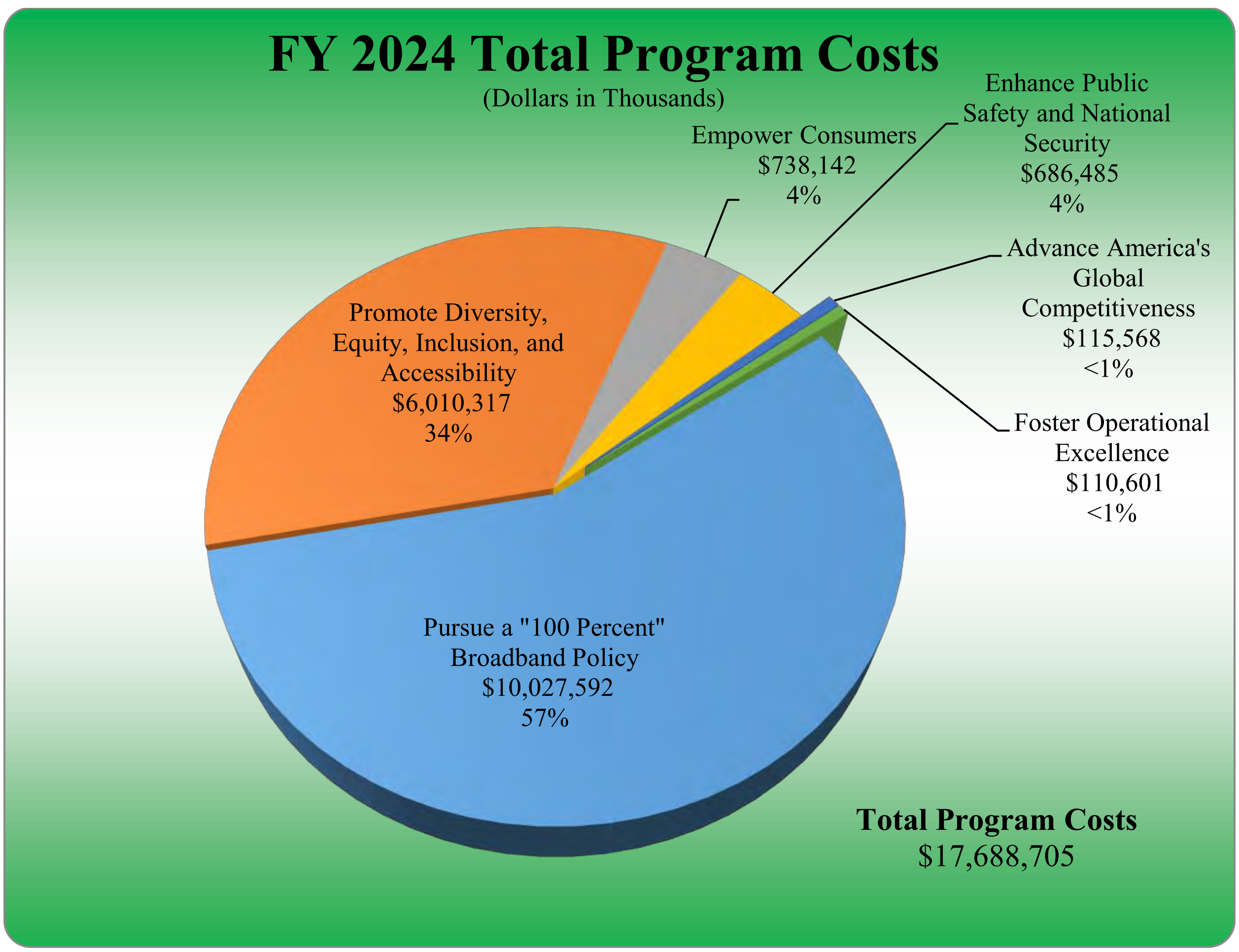
The decrease in Advances from Others and Deferred Revenue balance is mainly due to the granting of licenses for Auction 108.



Consolidated Statement of Net Cost: This statement presents the annual cost of operating the Commission's programs. The Consolidated Statement of Net Cost is aligned with the six strategic goals of the Commission: (1) Pursue a "100 Percent" Broadband Policy; (2) Promote Diversity, Equity, Inclusion, and Accessibility; (3) Empower Consumers; (4) Enhance Public Safety and National Security; (5) Advance America's Global Competitiveness; and (6) Foster Operational Excellence. Gross program costs for each goal are presented individually while revenue is presented in total rather than by goal. The program costs for the USF are allocated to the strategic goals to Pursue a "100 Percent" Broadband Policy and Promote Diversity, Equity, Inclusion, and Accessibility. The program costs for the TRS are allocated to the strategic goals to Promote Diversity, Equity, Inclusion and Accessibility and Empower Consumers. Due to the cost allocation for USF, ACF-ACP, and ECF, the costs for the strategic goal to Pursue a "100 Percent" Broadband Policy and Promote Diversity, Equity, Inclusion, and Accessibility are significantly higher than the cost of other strategic goals. Contributions received for the USF and TRS programs are shown on the Statement of Changes in Net Position and do not directly offset the costs of these programs on the Statement of Net Cost.

There is decrease in program costs in FY 2024 when compared to FY 2023. The decrease is primarily the result of decrease in expenses for ACF-ACP and ECF that were partially offset by increase in expense in SCRP and USF.

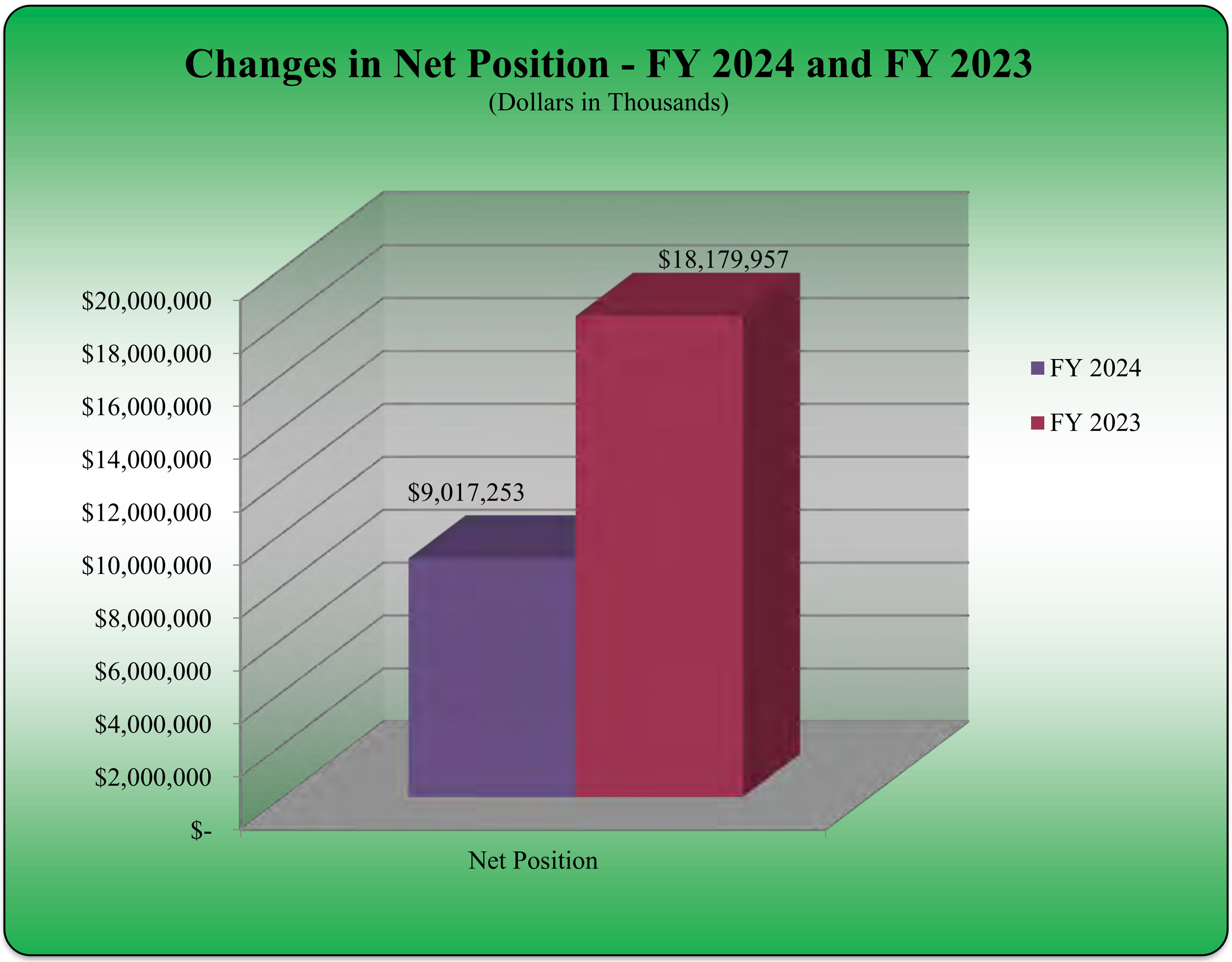
The pie chart below presents the total program costs for each strategic goal.

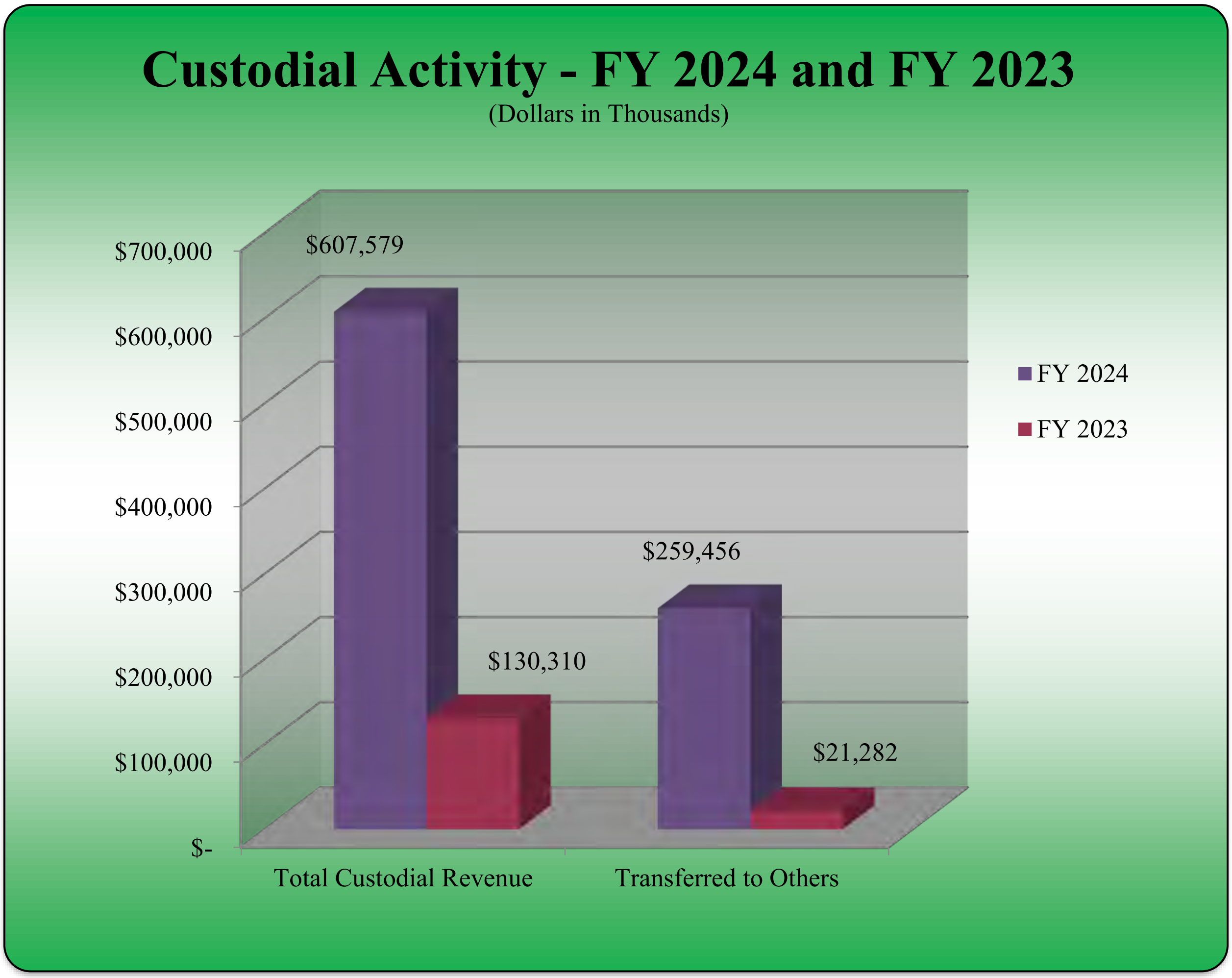


Consolidated Statement of Changes in Net Position and Custodial Activity: This statement presents the Commission's net position and its custodial activity. In FY 2024, the Commission's Net Position decreased by $9,163 million or 50 percent to $9,017 million compared to the net position of $18,180 million for FY 2023. The significant decrease is primarily the result of ECF's rescission, winding down of ACP, and an increase in appropriations used, which is primarily the result of increased activities in SCRP for FY 2024.

In FY 2024, the Commission recognized $608 million in custodial revenue and transferred the $259 million in miscellaneous receipts, fines, and penalties to the Treasury General Fund. In FY 2023, the Commission recognized $130 million in custodial revenue and transferred $21 million in miscellaneous receipts, fines, and penalties to the Treasury General Fund.

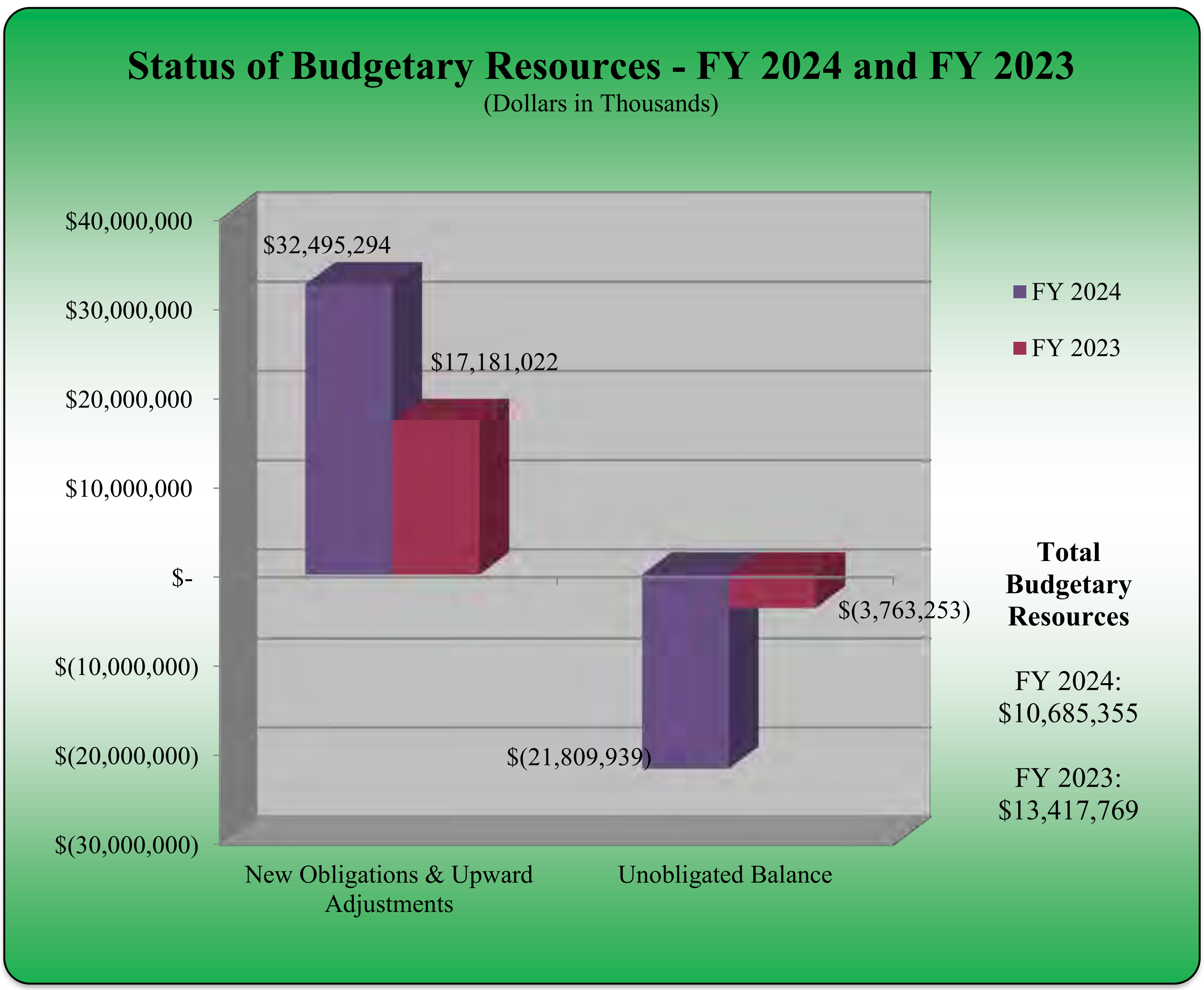
The first chart below compares the net position as of FYs 2024 and 2023; the second chart below compares the total amount of custodial revenue and amounts transferred to other entities during the same period.




Custodial Activity - FY 2024 and FY 2023
(Dollars in Thousands)
$700,000
$600,000
$500,000
$400,000
$300,000
$200,000
$100,000
$-
$607,579
$130,310
$259,456
$21,282
Total Custodial Revenue
Transferred to Others
FY 2024
FY 2023

Combined Statement of Budgetary Resources: This statement provides information on how budgetary resources were made available to the Commission for FYs 2024 and 2023 and the status of those budgetary resources at the end of each fiscal year. The Commission receives most of its budgetary authority from appropriations. Budgetary resources consist of the resources available to the Commission at the beginning of the fiscal year, plus appropriations, spending authority from offsetting collections, and other budgetary resources received during the fiscal year. The Commission had $32,495 million in new obligations and upward adjustments, ($21,810) million in unobligated balance, and $10,685 million in total budgetary resources. The abnormal balance in FY 2024 is related to E-ACAM obligations, while the abnormal balance in FY 2023 is related to RDOF obligations. These support mechanisms are part of the High Cost Program under the USF, which are exempt from the Antideficiency Act through December 31, 2024. The decrease in total budgetary resources is primarily related to ECF's rescission and increased program participant reimbursement activities for ACF-ACP throughout FY 2023 resulting in a decrease in unobligated balance from prior year budget authority.

The chart below presents the status of budgetary resources for FY 2024 and FY 2023.



Other Key Financial Statement Highlights

Regulatory Fee Collections

Pursuant to 47 U.S.C. § 159, the Commission is required to collect regulatory fees each fiscal year and retains those collections to offset certain costs incurred by the Commission. The amount the Commission is required to collect is included in the Commission's annual appropriations.

Regulatory fees are collected and warranted back to the Treasury to offset the Commission's appropriations for the current fiscal year. In FY 2024, the Commission was required to collect $390 million in regulatory fees. Excess regulatory fees collections of $13.5 million were transferred to the General Fund of the Treasury for the sole purpose of deficit reduction.

Limitations on the Financial Statements

The financial statements are prepared to report the financial position, financial condition, and results of operations of the Commission, consistent with the requirements of 31 U.S.C. § 3515(b). The principal financial statements are prepared from the financial records of the Commission in accordance with GAAP for federal entities and the formats prescribed by OMB. The statements, in addition to the financial reports used to monitor and control budgetary resources, are prepared from the same financial records.

The statements should be read with the realization that they are for a component of the United States Government, a sovereign entity

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II. CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Transmittal from Office of Inspector General

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF INSPECTOR GENERAL

MEMORANDUM

DATE: November 15, 2024

TO: Jessica Rosenworcel, Chairwoman
Brendan Carr, Commissioner
Geoffrey Starks, Commissioner
Nathan Simington, Commissioner
Anna Gomez, Commissioner
Mark Stephens, Managing Director

FROM: Fara Damelin, Inspector General Fara Damelin

SUBJECT: Final Report on the Federal Communications Commission's Fiscal Year 2024 Consolidated Financial Statements Audit (Report No. 24-AUD-06-01)

In accordance with Accountability of Tax Dollars Act (ATDA) of 2002 (Pub. L. 107-289), dated November 7, 2002, the Office of Inspector General (OIG) is providing the final report on the Federal Communications Commission's (FCC) Fiscal Year (FY) 2024 Consolidated Financial Statements Audit.

The OIG contracted with Kearney & Company, P.C. (Kearney) to perform this audit consistent with the OIG authority under the Inspector General Act of 1978, as amended, including but not limited to 5 U.S.C.§§ 402(a)(1), 402(b), 404(a)(1), and 405(b). This audit is not intended as a substitute for any agency regulatory compliance review or regulatory compliance audit. The audit was performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States. These standards require that the auditors plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives.

The objectives of this audit were to:

• Meet the audit requirements established by the ATDA and OMB Bulletin 24-02, Audit Requirements for Federal Financial Statements;
• Express an opinion on whether the FCC's fiscal year 2024 consolidated financial statements are presented fairly in all material respects in accordance with the generally accepted accounting principles promulgated by the Federal Accounting Standards Advisory Board;

• Assess the effectiveness of internal controls over financial reporting and compliance with laws and regulations that could have a direct and material impact on the financial statements; and
• Provide a basis for the Government Accountability Office (GAO) to determine the extent to which it can use this audit work in support of the GAO's annual audit of the U.S. Government-wide Financial Statements, of which the FCC is a component.

Our contract auditor found that the FCC financial statements were fairly presented in all material respects, in conformity with U.S. generally accepted accounting principles. In addition, Kearney did not find any reportable instances of noncompliance with laws, regulations, and contracts applicable to FCC.

The report includes one significant deficiency with 27 recommendations for improvement. If implemented, the recommendations will aid the FCC in improving the effectiveness of Information Security Program controls in the areas of Risk Management, Configuration Management, Identity and Access Management, and Information Security Continuous Monitoring. The report also highlights improvements made by the FCC in FY 2024 and the related closure of 11 prior year financial and IT recommendations. We appreciate the FCC's attention to these matters and its associated progress.

In management's response, the FCC concurred with the recommendations made by the independent auditors.

Our contract auditor is wholly responsible for the attached audit report and the conclusions expressed therein. The OIG monitored Kearney's performance throughout the audit and reviewed the audit report and related documentation. Our review disclosed no instances where Keraney did not comply in all material respects with *Government Auditing Standards*.

Please direct any questions regarding this report to Sophie Jones, Assistant Inspector General for Audit, at (202) 210-0976 or sophila.jones@fcc.gov or Menjie Medina, Deputy Assistant Inspector General for Audit, at 202-418-0949 or Menjie.Medina@fcc.gov.

We thank management for the cooperation and assistance provided throughout this engagement.

Attachment

cc:
P. Michele Ellison, General Counsel
Narda Jones, Chief of Staff
Jae Seong, Chief Financial Officer
Allen Hill, Chief Information Officer

Independent Auditors' Report

KEARNEY & COMPANY

INDEPENDENT AUDITOR'S REPORT

To the Chairwoman, Managing Director, and Inspector General of the Federal Communications Commission

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of the Federal Communications Commission (FCC), which comprise the consolidated Balance Sheets as of September 30, 2024 and 2023, the related consolidated Statements of Net Cost and Statements of Changes in Net Position and Custodial Activity, and the combined Statements of Budgetary Resources (hereinafter referred to as the "financial statements") for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the FCC as of September 30, 2024 and 2023 and its net cost of operations, changes in net position, custodial activity, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report. We are required to be independent of the FCC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for: 1) the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; 2) the preparation, measurement, and presentation of required supplementary information (RSI) in accordance with U.S. generally accepted accounting principles; 3) the preparation and presentation of other information included in the FCC's Agency Financial Report, as well as ensuring the consistency of that information with the audited financial statements and the RSI; and 4) the design, implementation, and maintenance of internal control

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relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the FCC's ability to continue as a going concern for a reasonable period of time beyond the financial statement date.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the FCC's internal control. Accordingly, no such opinion is expressed
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the FCC's ability to continue as a going concern for a reasonable period of time beyond the financial statement date.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Schedule of Budgetary Resources by Major Account and Land, and other RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by OMB and the Federal Accounting Standards Advisory Board (FASAB), who consider it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the Summary of Financial Statement Audit, Summary of Management Assurances, Payment Integrity, Schedule of Civil Monetary Penalties, and Office of Inspector General's (OIG) Management and Performance Challenges but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02, we have also issued reports, dated November 15, 2024, on our consideration of the FCC's internal control over financial reporting and on our tests of the FCC's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements, as well as other matters for the year ended September 30, 2024. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance and other matters. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02 and should be considered in assessing the results of our audits.

Kearney & Company

Alexandria, Virginia
November 15, 2024

Independent Auditors' Report on Internal Control over Financial Reporting

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Chairwoman, Managing Director, and Inspector General of the Federal Communications Commission:

We have audited, 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 Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, the financial statements, and the related notes to the financial statements of the Federal Communications Commission (FCC) as of and for the year ended September 30, 2024, which collectively comprise the FCC's financial statements, and we have issued our report thereon dated November 15, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the FCC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the FCC's internal control. Accordingly, we do not express an opinion on the effectiveness of the FCC's internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 24-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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We did identify a certain deficiency in internal control, as described in the accompanying **Schedule of Findings** that we consider to be a significant deficiency.

During the audit, we noted certain additional matters involving internal control over financial reporting that we will report to the FCC's management in a separate letter.

The FCC's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the FCC's response to the findings identified in our audit and described in the accompanying *Schedule of Findings and Commission's Responses to Independent Auditor's Reports* section of the Agency Financial Report (AFR). The FCC concurred with the findings identified in our engagement. The FCC's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of the FCC's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02 in considering the FCC's internal control. Accordingly, this report is not suitable for any other purpose.

Kearney & Company

Alexandria, Virginia
November 15, 2024

Schedule of Findings

Significant Deficiency

I. Information Technology (IT) (Modified Repeat Condition)

Background: The FCC uses information systems to compile information for financial reporting purposes, including the FCC's core financial management and accounting system, Genesis. The FCC's general IT support system serves as the gateway for users to access FCC information and information systems, including Genesis. In addition, because the FCC's financial statements include financial transactions relating to the Universal Service Fund (USF) programs, the FCC relies upon general IT support systems and specific applications utilized by the administrator of the USF programs (i.e., Universal Service Administrative Company [USAC]).

Kearney & Company, P.C. (Kearney) separately performed an evaluation of the FCC's Information Security Program, as required by the Federal Information Security Modernization Act of 2014 (FISMA) and will issue a separate FISMA report. In addition to the work performed during our FISMA evaluation, we performed risk-based procedures on the FCC core financial management system, that were focused on IT controls intended to prevent or detect and correct significant misstatements of, or corruption to, the financial data needed for the FCC's financial statements.

Kearney performed the financial system test work in accordance with the Government Accountability Office's (GAO) Federal Information System Controls Audit Manual (FISCAM). Many of the IT control areas of FISMA overlap with those in FISCAM, such as Risk Management, Access Controls, Configuration Management, and Information Security Continuous Monitoring (ISCM). Other IT controls areas are unique to FISCAM due to their relevance to financial management and reporting, such as Segregation of Duties and Application Controls.

Additionally, we performed risk-based procedures related to the core financial management system utilized by USAC to administer the USF programs, the Financial Operations System (FOS), as well as USAC's Schools and Libraries (S&L) account and application management system, E-Rate Productivity Center (EPC). Similar to the FCC, USAC's general IT support system is the gateway for users to access USAC's FOS. Our *Fiscal Year (FY) 2024 FISMA Evaluation Report* includes detailed information for each identified finding.

The following list summarizes the IT control deficiencies noted during the FISMA evaluation and FISCAM testing in support of the financial statement audit. In aggregate, Kearney considers these control deficiencies to be a significant deficiency.

- **FCC General IT Support System:** The FY 2024 FCC FISMA evaluation identified deficiencies in multiple IT control areas that impacted the FCC's general IT support system, including Risk Management, Identity and Access Management, Configuration Management, and ISCM. Most notably, during FY 2024 the FCC had not:

- Enforced the use of Personal Identity Verification (PIV) or other phishing-resistant multifactor authentication mechanism to remotely access FCC systems.
- Consistently remediated identified network vulnerabilities within the timeframes required by FCC policy.
- Effectively implemented the Risk Management Framework (RMF) for all information systems.
- Properly managed user accounts with access to the FCC's network.
- Completed efforts to ensure compliance with the established Center for Internet Security (CIS) benchmarks for baseline configurations.
- Consistently maintained sufficient documentation to support the approval and testing results of all changes to the FCC's general IT support system.

- **USAC Systems Utilized in Administering the USF Programs:** The FY 2024 FCC FISMA evaluation identified deficiencies in IT control areas that impacted the USAC's FOS, EPC, and General Support System (GSS), including Identity and Access Management and Configuration Management. USAC did not complete efforts to ensure the GSS complied with the established CIS benchmarks for baseline configurations, nor did USAC properly manage user accounts with access to FOS and EPC.

Cause: The FCC and USAC's ongoing efforts to implement planned corrective actions to remediate longstanding IT deficiencies continue to require prioritization. Specific causal information for each issue identified during the FY 2024 FISMA evaluation is addressed in the *Non-Public FISMA Evaluation Report*.

Effect: Inadequate controls over IT security can affect the integrity of financial applications, which increases the risk that unauthorized individuals could access sensitive financial information or that financial transactions could be altered, either accidentally or intentionally. IT deficiencies increase the risk that the FCC will be unable to report financial data in an accurate and timely manner.

Recommendations: Kearney's full *FY 2024 FISMA Evaluation Report* included 27 recommendations intended to improve the effectiveness of the FCC's Information Security Program controls in the areas of Risk Management, Configuration Management, Identity and Access Management, and ISCM. Twenty-one of the recommendations relate to the FCC, and six of the recommendations relate to USAC. Of the 21 FCC recommendations, 14 relate to FISCAM control areas. All six of the USAC recommendations relate to FISCAM control areas.

* * * * *

APPENDIX A: STATUS OF PRIOR-YEAR DEFICIENCIES

In the *Independent Auditor's Report on Internal Control over Financial Reporting* included in the audit report on the Federal Communication Commission's (FCC) fiscal year (FY) 2023 financial statements, we noted two reportable findings. The status of the FY 2023 internal control findings are summarized in ***Exhibit 1***.

Exhibit 1: Status of Prior-Year Findings

Control Deficiency	FY 2023 Status	FY 2024 Status
Information Technology (IT)	Significant Deficiency	Significant Deficiency
Accounting Treatment Related to Withheld Payments	Significant Deficiency	No findings

During the FY 2023 financial statement audit, Kearney & Company, P.C. (Kearney) submitted specific recommendations to the FCC related to the control deficiencies, as noted above, to strengthen the FCC's internal control environment over financial reporting. The statuses of the FY 2023 internal control recommendations are summarized in ***Exhibit 2***.

Kearney issued 25 recommendations in the FY 2023 Federal Information Security Modernization Act of 2014 (FISMA) evaluation report. During FY 2024, the FCC took appropriate action to close six recommendations, and we either updated or re-issued the 19 recommendations that were carried over from prior year. The *FY 2024 FISMA Evaluation Report* includes additional, detailed information on each of the 25 prior-year recommendations.

Exhibit 2: Status of Prior-Year Recommendations

Related Control Deficiency	Recommendation Description	FY 2024 Status
IT	Kearney issued 25 IT-related recommendations in FY 2023	19 open; six closed
Accounting Treatment Related to Withheld Payments	Kearney issued five recommendations related to the accounting treatment of withheld payments in FY 2023.	Five closed

Independent Auditor's Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

KEARNEY & COMPANY

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS

To the Chairwoman, Managing Director, and Inspector General of the Federal Communications Commission:

We have audited, 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 Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, the financial statements, and the related notes to the financial statements of the Federal Communications Commission (FCC) as of and for the year ended September 30, 2024, which collectively comprise the FCC's financial statements, and we have issued our report thereon dated November 15, 2024.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the FCC's financial statements are free from material misstatement, we performed tests of the FCC's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts and disclosures. However, providing an opinion on compliance with those provisions was not an objective of our audit; accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 24-02.

Although our audit procedures did not identify any instances of known noncompliance as of and for the year ended September 30, 2024, FCC management was in the process of confirming two potential instances of noncompliance with the Antideficiency Act (ADA) based on events that occurred in fiscal years (FY) 2011 and 2019. Specifically, the FCC identified a potential instance of ADA noncompliance related to certain types of contracting actions and their resulting obligations in FY 2011. In addition, the FCC identified a negative cash balance in the International Telecommunications Settlements fund in FY 2019. The ADA prohibits the FCC from obligating or expending Federal funds in advance or in excess of an appropriation, as well as from accepting voluntary services. These potential instances of noncompliance were still being researched by the FCC as of September 30, 2024.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements and the results of that testing, and not to provide an opinion on the effectiveness of the FCC's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing*

Standards and OMB Bulletin No. 24-02 in considering the FCC's compliance. Accordingly, this report is not suitable for any other purpose.

Alexandria, Virginia
November 15, 2024

Commission's Response to Independent Auditors' Reports

UNITED STATES GOVERNMENT
FEDERAL COMMUNICATIONS COMMISSON

Office of the Managing Director

DATE: November 15, 2024

TO: Fara Damelin, Inspector General

FROM: Mark Stephens, Managing Director
Jae Seong, Chief Financial Officer
Allen Hill, Chief Information Officer

SUBJECT: Management's Response to Independent Auditor's Reports on Internal Control over Financial Reporting and Compliance with Laws, Regulations, Contracts, and Grant Agreements for Fiscal Year 2024

Thank you for the opportunity to review and comment on the draft reports entitled *Independent Auditor's Report on Internal Control over Financial Reporting and Independent Auditor's Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements*. As always, the Federal Communications Commission (FCC or Commission) appreciates the efforts of the Office of Inspector General and its independent auditor, Kearney & Company, to work with the FCC throughout the annual financial statement audit process.

We are pleased that, for the nineteenth straight year, the independent auditor provided an unmodified ("clean") opinion and found that the Commission's consolidated financial statements for Fiscal Year (FY) 2024 present fairly, in all material respects, the financial position of the Commission as of September 30, 2024. In addition, the results of the audit tests disclosed no instances of noncompliance or other matters that are required to be reported.

Despite this successful outcome, work remains here at the Commission. The FY 2024 audit report identified a repeat significant deficiency related to information technology controls. We concur with the recommendations made by the independent auditors in their reports.

We look forward to working in FY 2025 to resolve the FY 2024 audit findings and to enhance the culture of integrity, accountability, and excellence that exists here at the Commission.

MARK STEPHENS Digitally signed by MARK STEPHENS Date: 2024.11.15 07:56:30 -05'00'

Mark Stephens
Managing Director
Office of Managing Director

Jae Seong
Chief Financial Officer
Office of Managing Director

Allen Hill
Chief Information Officer
Office of Managing Director

Principal Statements

Federal Communications Commission

Consolidated Balance Sheets

As of September 30, 2024 and September 30, 2023

(Dollars in Thousands)

	FY 2024	FY 2023
Assets (Note 2):		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 3)	$ 12,494,592	$ 22,556,872
Accounts Receivable, Net (Note 4)	3	3
Advances and Prepayments	3,093	3,325
Total Intragovernmental Assets	12,497,688	22,560,200
Other than intragovernmental assets:		
Accounts Receivable, Net (Note 4)	1,005,643	807,909
Property, Plant and Equipment, Net (Note 5)	117,220	104,587
Advances and Prepayments	13,024	13,024
Total Other Than Intragovernmental Assets	1,135,887	925,520
Total Assets	$ 13,633,575	$ 23,485,720
Liabilities (Note 6):		
Intragovernmental Liablities:		
Accounts Payable	$ 474	$ 264
Advances from Others and Deferred Revenue	571	522
Other Liabilities (Note 7)		
Liability to the General Fund of the U.S. Government for Custodial and Other Non-entity Assets	3,303,577	3,091,621
Other Liabilities	2,198	4,545
Total Other Liabilities	3,305,775	3,096,166
Total Intragovernmental Liabilities	3,306,820	3,096,952
Other Than Intragovernmental Liabilities:		
Accounts Payable	579,186	1,145,956
Federal Employee Salary, Leave, and Benefits Payable	33,118	24,089
Pensions, and Post Employment-related Benefits	2,113	2,332
Advances from Others and Deferred Revenue	80,499	385,136
Other Liabilities (Note 7)		
Prepaid Contributions	77,110	64,111
Accrued Liabilities for USF and TRS	530,107	558,438
Deposit/Unapplied Liability	1,491	2,945
Other	5,878	25,804
Total Other Liabilities	614,586	651,298
Total Other Than Intragovernmental Liabilities	1,309,502	2,208,811
Total Liabilities	$ 4,616,322	$ 5,305,763
Commitments and Contingencies (Note 9)		
Net Position:		
Unexpended Appropriations-Funds from Dedicated Collections (Note 10)	$ 754,135	$ 753,872
Unexpended Appropriations-Funds from Other Than Dedicated Collections	1,981,379	10,781,318
Total Unexpended Appropriations (Consolidated)	2,735,514	11,535,190
Cumulative Results of Operations-Funds from Dedicated Collections (Note 10)	5,923,033	6,332,446
Cumulative Results of Operations-Funds from Other Than Dedicated Collections	358,706	312,321
Total Cumulative Results of Operations (Consolidated)	6,281,739	6,644,767
Total Net Position	9,017,253	18,179,957
Total Liabilities and Net Position	$ 13,633,575	$ 23,485,720

The accompanying notes are an integral part of these statements.

Federal Communications Commission
Consolidated Statements of Net Cost
For the Years Ended September 30, 2024 and September 30, 2023
(Dollars in Thousands)

	FY 2024	FY 2023
Gross Program Costs:		
Pursue a "100 Percent" Broadband Policy:		
Net Program Cost	$ 10,027,592	$ 10,597,929
Promote Diversity, Equity, Inclusion, and Accessibility:		
Net Program Cost	6,010,317	6,830,122
Empower Consumers:		
Net Program Cost	738,142	671,346
Enhance Public Safety and National Security:		
Net Program Cost	686,485	270,471
Advance America's Global Competitiveness:		
Net Program Cost	115,568	107,786
Foster Operational Excellence:		
Net Program Cost	110,601	114,993
Net Program Costs	$ 17,688,705	$ 18,592,647
Less Earned Revenues Not Attributed to Programs	(572,440)	(554,730)
Net Cost of Operations	$ 17,116,265	$ 18,037,917

The accompanying notes are an integral part of these statements.

Federal Communications Commission
Consolidated Statements of Changes in Net Position and Custodial Activity
For the Years Ended September 30, 2024 and September 30, 2023
(Dollars in Thousands)

	FY 2024			FY 2023		
	Funds from Dedicated Collections Consolidated (Note 10)	Funds from Other than Dedicated Collections Consolidated	Consolidated Totals	Funds from Dedicated Collections Consolidated (Note 10)	Funds from Other than Dedicated Collections Consolidated	Consolidated Totals
Unexpended Appropriations:						
Beginning Balances	$ 753,872	$ 10,781,318	$ 11,535,190	$ 759,909	$ 19,526,104	$ 20,286,013
Unexpended Appropriations Beginning Balance, as Adjusted	$ 753,872	$ 10,781,318	$ 11,535,190	$ 759,909	$ 19,526,104	$ 20,286,013
Changes in Unexpended Appropriations:						
Appropriations Used	263	(7,031,939)	(7,031,676)	(6,037)	(8,744,754)	(8,750,791)
Other Adjustments to Appropriations (Note 1 Q)	-	(1,768,000)	(1,768,000)	-	(32)	(32)
Total Unexpended Appropriations: Ending Balance	$ 754,135	$ 1,981,379	$ 2,735,514	$ 753,872	$ 10,781,318	$ 11,535,190
Cumulative Results of Operations:						
Beginning Balances	$ 6,332,446	$ 312,321	$ 6,644,767	$ 6,642,083	$ 262,077	$ 6,904,160
Cumulative Results of Operations Beginning Balance, as Adjusted	$ 6,332,446	$ 312,321	$ 6,644,767	$ 6,642,083	$ 262,077	$ 6,904,160
Changes in Cumulative Results of Operations:						
Net Cost of Operations (+/-)	10,153,105	6,963,160	17,116,265	9,364,878	8,673,039	18,037,917
Financing Sources:						
Appropriations Used	(263)	7,031,939	7,031,676	6,037	8,744,754	8,750,791
Other Than Intragovernmental Non-exchange Revenue	9,743,955	-	9,743,955	9,049,204	-	9,049,204
Intragovernmental Non-exchange Revenue	-	141	141	-	1,214	1,214
Transfers In/Out Without Reimbursement	-	(49)	(49)	-	-	-
Imputed Financing (From Other Entities)	-	14,098	14,098	-	14,367	14,367
Other	-	(36,584)	(36,584)	-	(37,052)	(37,052)
Net Change in Cumulative Results of Operations	(409,413)	46,385	(363,028)	(309,637)	50,244	(259,393)
Total Cumulative Results of Operations	5,923,033	358,706	6,281,739	6,332,446	312,321	6,644,767
Net Position, End of Period	$ 6,677,168	$ 2,340,085	$ 9,017,253	$ 7,086,318	$ 11,093,639	$ 18,179,957
Net Custodial Activities:						
Custodial Revenue:						
Spectrum Auctions		$ 305,159			$ 108,670	
Fines & Penalties		259,456			21,282	
Total Cash Collections		564,615			129,952	
Accrual Adjustments:						
Fines & Penalties		42,964			358	
Refunds and Other Payments						
Auctions Salaries & Expenses (FCC)		(136,167)			(132,231)	
Net Custodial Revenue		471,412			(1,921)	
Distribution of Collections:						
Amounts Transferred to Federal Entities						
Treasury		(259,456)			(21,282)	
(Increase)/Decrease in Amounts Yet to be Transferred (+/-)		(211,956)			23,203	
Total Distribution of Collections		(471,412)			1,921	
Net Custodial Activity		$ -			$ -	

The accompanying notes are an integral part of these statements.

Federal Communications Commission
Combined Statements of Budgetary Resources
For the Years Ended September 30, 2024 and September 30, 2023
(Dollars in Thousands)

	FY 2024 Budgetary	FY 2023 Budgetary
Budgetary Resources		
Unobligated Balance From Prior Year Budget Authority, Net (Discretionary and Mandatory)	$ 2,223,057	$ 3,987,251
Appropriations (Discretionary and Mandatory)	7,935,419	8,907,324
Spending Authority From Offsetting Collections (Discretionary and Mandatory)	526,879	523,194
Total Budgetary Resources	$ 10,685,355	$ 13,417,769
Status of Budgetary Resources		
New Obligations and Upward Adjustments (Total)	$ 32,495,294	$ 17,181,022
Unobligated Balance, End of Year		
Apportioned, Unexpired Accounts	711,505	7,223,165
Exempt From Apportionment, Unexpired Accounts	(23,445,737)	(11,251,270)
Unapportioned, Unexpired Accounts	924,207	264,614
Unexpired Unobligated Balance, End of Year	(21,810,025)	(3,763,491)
Expired Unobligated Balance, End of Year	86	238
Unobligated Balance, End of Year (Total)	(21,809,939)	(3,763,253)
Total Budgetary Resources	$ 10,685,355	$ 13,417,769
Outlays, Net		
Outlays, Net (Total) (Discretionary and Mandatory)	$ 17,846,842	$ 17,954,145
Distributed Offsetting Receipts (-)	(24,132)	(30,005)
Agency Outlays, Net (Discretionary and Mandatory)	$ 17,822,710	$ 17,924,140

The accompanying notes are an integral part of these statements.

Notes to the Principal Financial Statements

For the Years Ended September 30, 2024 and September 30, 2023
(Dollars in Thousands Unless Otherwise Stated)

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The Federal Communications Commission (FCC or Commission) is an independent United States government agency, established by the Communications Act of 1934 (Act), as amended. The Commission is charged with regulating interstate and international communications by radio, television, wire, satellite, and cable. The Commission's jurisdiction spans the 50 states, the District of Columbia, and the U.S. possessions. The Commission is directed by five Commissioners who are appointed by the President of the United States and confirmed by the Senate for five-year terms, except when filling an unexpired term or serving in holdover status.

The Commission is comprised of three reporting components. The primary component consists of Commission headquarters and field offices. The two additional components are the Universal Service Fund (USF) and the Telecommunications Relay Service (TRS) Fund. The USF reports the results of the four universal service programs (established pursuant to section 254 of the Act, as amended), and the Connected Care Pilot Program (CCPP). Section 510 of Division B of the Further Consolidated Appropriations Act, 2024, P. L. 118-364, amended Section 302 of the Universal Service Anti-deficiency Temporary Suspension Act, Title III of P. L. 108-494, extending the universal service programs exemption from the application of the provisions of the Anti-deficiency Act until December 31, 2024. Accordingly, the USF is not subject to apportionment by the Office of Management and Budget (OMB). The TRS Fund was established by the Americans with Disabilities Act of 1990, Title IV, and is not exempt from the Anti-deficiency Act and must be apportioned by OMB before funds are available for use. Information regarding disclosure entities is separately disclosed in Note 18.

B. Accounting Policies

The consolidated and combined financial statements (collectively, financial statements) have been prepared from the accounting records of the Commission and its components, in conformity with U.S. generally accepted accounting principles (GAAP) and the form and content for federal entity financial statements specified by OMB Circular No. A-136, *Financial Reporting Requirements—Revised*. Custodial activity reported on the Statement of Changes in Net Position and Custodial Activity is prepared on the modified cash basis.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results may differ from those estimates.

C. Fund Balance with Treasury and Funds from Dedicated Collections

Funds with the U.S. Department of the Treasury (Treasury) primarily represent general, revolving, special, and deposit funds. The Commission may use the general and revolving funds to finance expenses, depending on budgetary availability. The special funds are used to account for dedicated collections and deposit funds are used to hold amounts temporarily until they can be properly disbursed or distributed.

Note 1 – Summary of Significant Accounting Policies (continued)

D. Classified Activities

Statement of Federal Financial Accounting Standards (SFFAS) 56, *Classified Activities*, requires all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

E. Accounts Receivable, Net

Accounts Receivable consists of claims made for payment from the public and other federal entities. Gross receivables are reduced to net realizable value by an allowance for doubtful accounts.

The USF portion of the allowance is determined by calculating an estimated general allowance for doubtful accounts receivable. The general allowance is calculated by multiplying the receivable amounts by the percentage of the estimated uncollectible amount as determined by a review of historical collection rates by type of receivable.

The USF's E-Rate program has Commitment Adjustment (COMAD) receivables. COMAD or audit receivables are subject to appeal and are not considered final until the appeals period has lapsed, or a final determination has been issued.

The TRS portion of the allowance is based on estimated exposure to risk of nonpayment of billed balances, primarily based on collection experience. The allowance includes reserves for identified bankruptcies, identified inactive contributors, contributors on appeal more than two years, delinquent amounts that are referred to Treasury for collection, and other items. The TRS administrator periodically reviews the estimates and may change the assessment of recoverability based on actual results.

The Commission's portion of the allowance for doubtful accounts is determined by applying predetermined percentages against the respective date the receivable was established. An additional analysis of higher dollar value receivables is also performed on individual account balances. As such, an additional allowance for doubtful accounts for the higher dollar value receivables may be recorded considering inherent uncertainties and risks.

The allowance related to Affordable Connectivity Program (ACP) and Emergency Connectivity Fund (ECF) is calculated by multiplying the receivable amounts by the percentage of the estimated uncollectible amount used for the USF Lifeline and E-Rate Programs due to program similarities.

F. Property, Plant and Equipment, Net

The basis for recording purchased Property, Plant, and Equipment (PP&E) is full cost, including all costs incurred to bring the PP&E to and from a location suitable for its intended use. The capitalization threshold is $100 for PP&E and $200 for internally developed software with an estimated useful life of two years or more. There is no capitalization of bulk purchases of similar items. PP&E is depreciated on a straight-line basis over the estimated useful lives of the items.

Note 1 – Summary of Significant Accounting Policies (continued)

F. Property, Plant and Equipment (continued)

The following chart summarizes the PP&E classifications with related estimated useful lives:

PP&E Classification	Estimated Useful Lives (years)
Building	40
Non-Computer Equipment	7
Computer & Vehicle Equipment	5
Software	3

Land, including permanent improvements, and software in development are not depreciated. Normal maintenance and repair costs are expensed as incurred.

Leasehold and building improvements, which includes all cost incurred during the design and construction phase of the improvement, are either amortized over the remaining life of the lease or building, respectively, or the useful life of the improvement, whichever is shorter.

G. Advances and Prepayments

Intragovernmental advances and prepayments represent advance payments for intragovernmental agreements. Advances and prepayments with the public represent the balance of transfers less expenses made by the USF to the Universal Service Administrative Company (USAC), the USF administrator, to fund administrative costs in advance. Advances are drawn down as expenses are incurred, and a balance typically remains in this account for future expenses.

H. Accounts Payable and Accrued Liabilities

Accounts Payable and Accrued Liabilities represent a probable future outflow or other sacrifice of resources as a result of past transactions or events. Liabilities are recognized when they are incurred, regardless of whether they are covered by available budgetary resources. Liabilities cannot be liquidated without legislation that provides resources to do so. Payments of all liabilities other than contracts can be abrogated by the U.S. Government, which is a sovereign entity, and its components, which includes the Commission.

The USF and TRS expenses are non-exchange expenses. Accrued Liabilities for USF mostly represent liabilities recorded for anticipated subsidies in the Lifeline program, and for all legacy support mechanisms within the High-Cost program, and TRS support mechanisms. An Accounts Payable accrual is recorded for subsidies related to support mechanisms in TRS and the following USF programs: Connect America Fund (CAF) Phase II, CAF Phase II reverse auction (CAF II Auction), Rural Broadband Experiment, Alternative Connected America Cost Model (A-CAM), A-CAM II, Enhanced A-CAM (EACAM), Alaska Plan, Puerto Rico and the Virgin Islands, and Rural Digital Opportunity Fund (RDOF). The Commission does not accrue for payments under the E-Rate or Rural Health Care Programs until potentially eligible costs pass through a thorough review process and the costs are approved for disbursement.

Similar to the USF Rural Health Care and E-Rate Programs, the expenses related to the Coronavirus Disease of 2019 (COVID-19) Telehealth Program, the Secure and Trusted Networks Communications Act Reimbursement Program, also known as the Supply Chain Reimbursement Program (SCRP), and the ECF are non-exchange expenses. The Commission does not accrue payments under the COVID-19 Telehealth Program, SCRP or ECF until submitted eligible expenses are approved for payment. The ACP expenses

Note 1 – Summary of Significant Accounting Policies (continued)

H. Accounts Payable and Accrued Liabilities (continued)

are also non-exchange and similar to the Lifeline Program, and as such, the Commission accrues the expected payments.

I. Advances From Others and Deferred Revenue

The Commission's advances from others and deferred revenue consists of intragovernmental advances and deferred revenue. Intergovernmental advances are the result of interagency agreements where the Commission agrees to provide certain services.

The Commission collects proceeds from the sale of spectrum licenses to the public on behalf of the U.S. Government. All proceeds collected up to the amount of the net winning bid are recognized as deferred revenue until a "prepared to grant" or "grant" public notice is issued.

In addition, the Commission collects multi-year regulatory fees for five and ten-year periods that are recorded as deferred revenue and amortized over the period of the fee.

The TRS collects contributions from telecommunications carriers to cover the costs of the programs. Some carriers have the option of paying monthly or annually. The unearned portion of annual contributions is recognized as deferred revenue.

J. Retirement Plans and Other Benefits

Federal employee benefits consist of the actuarial portion of future benefits earned by federal employees, including pensions, other retirement benefits, and other post-employment benefits. The Office of Personnel Management (OPM) administers these benefits. The Commission does not recognize any liability on the Balance Sheet for pensions, other retirement benefits, and other post-employment benefits. The Commission recognizes and allocates the imputed costs on the Statement of Net Cost and recognizes imputed financing related to these costs on the Statement of Changes in Net Position.

Pensions provide benefits upon retirement and may also provide benefits for death, disability, or other separations from employment before retirement. Pension plans may also include benefits to survivors and dependents, and they may contain early retirement or other special features. Most Commission employees participate in the Civil Service Retirement System (CSRS), the Federal Employee Retirement System (FERS), the FERS-Revised Annuity Employee (FERS-RAE), or the FERS-Further Revised Annuity Employee (FERS-FRAE). Under CSRS, the Commission makes matching contributions equal to seven percent (7%) of basic pay. Under all FERS plans, the Commission contributes the employer's matching share for Social Security. All employees are eligible to contribute to the Thrift Savings Plan (TSP), which is a defined contribution retirement savings and investment plan. For those employees covered by the FERS plans, a TSP account is automatically established to which the Commission is required to contribute one percent (1%) of gross pay, match dollar-for-dollar on the first three percent (3%) of pay contributed each pay period, and match 50 cents on the dollar for the next two percent (2%) of pay contributed. No government contributions are made to the TSP accounts established by CSRS employees. Most employees hired after December 31, 1983, are covered by the FERS plans.

OPM reports on CSRS, FERS, FERS-RAE, and FERS-FRAE assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to Federal employees. The actuarial liability for future workers' compensation benefits payable includes the expected liability for death, disability, medical, and

Note 1 – Summary of Significant Accounting Policies (continued)

J. Retirement Plans and Other Benefits (continued)

miscellaneous costs for approved compensation cases, as well as a component for incurred but not reported claims. The liability is determined by using historical benefit payment patterns related to injury years to predict the ultimate payment.

The unfunded Federal Employees' Compensation Act (FECA) liability covers compensation and medical benefits for work related injury. The calculation takes the amount of benefit payments over the last nine to twelve quarters and then calculates the annual average of payments. The compensation and medical payments can be found in the chargeback reports that are issued by the U.S. Department of Labor.

K. Leave

Annual leave is accrued as earned, and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current leave balances and pay rates. Annual leave is reflected as a liability not covered by current budgetary resources. Sick leave and other types of non-vested leave are expensed as taken.

L. Exchange Revenue, Non-Exchange Revenue, and Financing Sources

Regulatory Fee Offsetting Collections (Exchange) – Pursuant to 47 U.S.C. § 159, the Commission assesses and collects regulatory fees to recover the costs incurred in carrying out its mission through its strategic goals: Pursue a "100 Percent" Broadband Policy; Promote Diversity, Equity, Inclusion, and Accessibility; Empower Consumers; Enhance Public Safety and National Security; Advance America's Global Competitiveness; and Foster Operational Excellence. Since 1993, Congress annually reviews the regulatory fee collection requirements of the Commission and establishes the total regulatory fee levels to be collected in annual Appropriations Acts. Regulatory fees collected up to the level established by Congress are applied against the Commission's appropriation at the close of each fiscal year. The Repack Airwaves Yielding Better Access for Users of Modern Services Act of 2018 (RAY BAUM'S Act), Division P of P. L. 115-141, requires the Commission to transfer all excess regulatory fee collections from prior and subsequent fiscal years to the General Fund of the Treasury for the sole purpose of deficit reduction. The Commission collected the appropriated regulatory fee levels of $390,192 for FY 2024 and FY 2023. Excess collections of $13,514 in FY 2024 and $13,849 in FY 2023 were transferred to the Treasury for the sole purpose of deficit reduction.

Competitive Bidding System Offsetting Collections (Exchange) – One of the Commission's primary functions is managing the spectrum auctions program. Proceeds from the auctions are initially remitted to the Commission and are later transferred either to the Treasury or to the appropriate agency as required by applicable laws. Pursuant to 47 U.S.C. § 309, the Commission may retain a portion of the spectrum auction proceeds to offset the cost of performing the auction function. Collections used to offset the cost of performing auctions-related activity were appropriated at $136,167 for FY 2024 and $132,231 for FY 2023.

Radio Spectrum Auction Proceeds (Exchange) – In accordance with the provisions of SFFAS 7, *Accounting for Revenue and Other Financing Sources*, the Commission accounts for this exchange revenue as a custodial activity. Revenue from spectrum auctions is recognized when a "prepared to grant" or "grant" public notice is issued. The value of available spectrum is determined in the marketplace at the time of auction.

Note 1 – Summary of Significant Accounting Policies (continued)

L. Exchange Revenue, Non-Exchange Revenue, and Financing Source (continued)

The original spectrum auction authority was scheduled to expire in FY 1998; however, it was extended through FY 2007 in the Balanced Budget Act of 1997, P.L. 105-33; extended through FY 2011 by the Deficit Reduction Act of 2005, P.L. 109-171; extended through FY 2012 by the DTV Delay Act (2012), P.L. 111-4; extended through FY 2023 by the Middle Class Tax Relief and Job Creation Act of 2012, P.L. 112-96; extended through December 16, 2022 by the Continuing Appropriations and Ukraine Supplemental Appropriations Acct, 2023, P.L. 117-180; extended through December 23, 2022 by the Further Continuing Appropriations and Extensions Act, 2023, P.L. 117-229; extended through December 30, 2022 by the Further Additional Continuing Appropriations and Extensions Act, 2023, P.L 117-264; and extended through March 9, 2023 by the Consolidated Appropriations Act, 2023, P.L. 117-328.

The Commission's authority to conduct new auctions and grant a license or permit under section 309(j) of the Communications Act expired March 9, 2023, except that, with respect to the electromagnetic spectrum identified under section 1004(a) of the Spectrum Pipeline Act of 2015, such authority shall expire on September 30, 2025, and with respect to the electromagnetic spectrum identified under section 90008(b)(2)(A)(ii) of the Infrastructure Investment and Jobs Act (P.L. 117-58), such authority shall expire on November 15, 2028, seven (7) years after the date of enactment of that Act.

The Commission recognized $305,159 of custodial revenue (net of accrual adjustments) related to spectrum auctions in FY 2024 and $108,670 in FY 2023. There were no spectrum auction transfers in FY 2024 and FY 2023.

Application Fees (Exchange) – Pursuant to 47 U.S.C. § 158, the Commission collects application processing fees at such rates as the Commission establishes in a schedule of application fees to recover the costs of the Commission to process applications. Section 8(b) of the Act requires the Commission, in every even-numbered year, to adjust the schedule of application fees to reflect increases or decreases in the Consumer Price Index (CPI), rounded to the nearest $5 increment. In addition to the CPI adjustment as required by 8(b) of the Act, section 8(c) of the Act requires the Commission to, by rule, amend the application fee schedule if the Commission determines that the schedule requires amendment so that: (1) such fees reflect increases or decreases in the costs of processing applications at the Commission or (2) such schedule reflects the consolidation or addition of new categories of applications. Application fees are deposited in the Treasury and are not available for the Commission's use. Application fee revenue totaled $20,221 in FY 2024 and $20,370 in FY 2023. The most recent Report and Order establishing application fees was adopted by the Commission on December 15, 2022 and released on December 16, 2022. In the *2022 Application Fees Report and Order*, the Commission adjusted the application fees to reflect a net change in the Consumer Price Index (CPI) of 11.6%, an increase of 30.958 index points calculated from 267.054 to 298.012. The adjustments complied with the requirements set forth in section 8(b) and (c) of the Act.

900 Megahertz (MHz) Anti-Windfall Program (Exchange) – On May 13, 2021, the Commission realigned the 900 MHz band to make available six megahertz of low-band spectrum for the development of critical wireless broadband technologies and services, while reserving the remaining four megahertz of spectrum for continued narrowband operations. Applicants that relinquish less than six megahertz of spectrum are required to make an anti-windfall payment before the Commission will grant its 900 MHz broadband segment application. Anti-windfall payment revenue totaled $2,708 in FY 2024 and $1,620 in FY 2023.

Reimbursable Work Agreements (Exchange) – The Commission recognizes reimbursable work agreement revenue when earned, i.e., goods that have been delivered or services rendered. The Commission executed agreements totaling $656 in FY 2024 and $1,305 in FY 2023.

Note 1 – Summary of Significant Accounting Policies (continued)

L. Exchange Revenue, Non-Exchange Revenue, and Financing Source (continued)

Allocation of Exchange Revenues – The Commission reports the entire balance of exchange revenue on the line "Less: earned revenues not attributed to programs" since there is no direct relationship between earned revenues and specific programs.

USF and TRS (Non-Exchange) – Carriers conducting interstate telecommunications are required to contribute a portion of their revenues to fund the cost of providing universal service programs and TRS. These contributions represent dedicated collections. In addition to contributions, non-exchange revenues also include fines, penalties, and interest. Non-exchange revenues earned in FY 2024 were $8,401,263 by USF and $1,342,692 by TRS. Non-exchange revenues earned in FY 2023 were $7,992,952 by USF and $1,056,800 by TRS. For more information, refer to Note 10.

Appropriations (Financing Source) – The Commission receives a Salaries and Expenses appropriation from Congress. These funds are used to pay for operations during the fiscal year and are repaid to the Treasury once regulatory fees are collected. Since FY 2014, Congress has authorized the Commission to retain its appropriation as available until expended. The Commission's appropriations were $390,192 for FY 2024 and FY 2023.

M. Reprogramming

For FY 2024, no reprogramming was approved. In FY 2023, the Commission received approval for reprogramming $7,787 of prior year de-obligated funds for real property improvements, modernization of the FCC's radio frequency senor system capabilities, and resolution of balance for international telecommunications settlement.

N. Net Position

Net Position is the residual difference between assets and liabilities and is comprised of Unexpended Appropriations and Cumulative Results of Operations. Unexpended Appropriations represents the amount of unobligated and unexpended budget authority. Unobligated Balance is the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. Cumulative Results of Operations is the net difference since the inception of the Commission of (1) expenses and losses and (2) financing sources including appropriations used, revenues, and gains. Net position of funds from dedicated collections is separately disclosed in Note 10.

O. Broadcast Incentive Auction

The Broadcast Incentive Auction (BIA) was authorized by provisions in Title VI of the Middle Class Tax Relief and Job Creation Act of 2012, P. L. 112-96 (Spectrum Act) and modified in Section 511 of Title V of Division E of the Consolidated Appropriations Act, 2018, P. L. 115-141, also known as the Reimbursement Expansion Act (REA). The Spectrum Act and REA requires the Commission to reimburse relocation costs reasonably incurred by full power and Class A broadcasters, MVPDs, LPTV/TV Translator and by FM stations that were involuntarily reassigned to new channels or disrupted or displaced as a result of the BIA. In implementing the REA for eligible LPTV/TV Translator and by FM stations, the Commission determined in the *REA Report & Order*, adopted March 15, 2022, that reimbursement of full power and Class A stations and MVPDs would be prioritized over reimbursement of LPTV/TV Translator and FM stations.

Note 1 – Summary of Significant Accounting Policies (continued)

O. Broadcast Incentive Auction (continued)

In implementing the REA for eligible LPTV/TV Translator and by FM stations, the Commission determined in the *REA Report & Order*, adopted March 15, 2022, that reimbursement of full power and Class A stations and MVPDs would be prioritized over reimbursement of LPTV/TV Translator and FM stations.

Pursuant to the REA, the reimbursement period for the TVBRF was extended to July 3, 2023. At that time, any unobligated amounts "shall be rescinded and deposited in the general fund of the Treasury." Amounts allocated to stations in the reimbursement program are obligated amounts. There are a small number of TV stations in the program which are expected to incur costs as a result of the repack beyond July 3, 2023 due to circumstances beyond their control. Therefore, some stations have been granted an extension of the final invoice filing deadline beyond July 3, 2023 where such stations: (1) will incur costs after July 3, 2023, (2) can substantiate that the station has diligently pursued construction project during the program period, (3) face circumstances beyond station's control, and (4) provides estimates and documentation sufficient to support a verified estimate for costs to be incurred after July 3, 2023. Unobligated funds will be transferred to the Treasury.

As of September 30, 2024, the Commission made a total allocation of $1,854,000 for eligible full power and Class A broadcasters, MVPDs, LPTV/TV Translators and FM stations.

In FY 2024, the TVBRF had zero obligations and net outlays of $4,211. In FY 2023, the FCC obligated $83,322 and had net outlays of $40,778.

P. Affordable Connectivity Fund (ACF) and Emergency Broadband Connectivity Fund, Emergency Broadband Benefit Program (EBCF-EBBP)

On December 27, 2020, the Consolidated Appropriations Act, 2021 (Consolidated Appropriations Act, P.L. 116-260), was signed into law. In the Consolidated Appropriations Act, Congress appropriated $3,200,000 for the EBCF for fiscal year 2021, to remain available until expended or six months after the end of the public health emergency. The Consolidated Appropriations Act established the EBCF-EBBP, under which eligible low-income households may receive a discounted broadband service and certain connected devices during an emergency period relating to the COVID-19 pandemic, and participating providers can receive a reimbursement for such discounts.

On November 15, 2021, the Infrastructure Act was signed into law. In the Infrastructure Act, Congress appropriated $14,200,000 to build on the EBCF-EBBP and replace it with the longer-term broadband Affordable Connectivity Program (ACP). In addition the Infrastructure Act authorized the Commission to use that funding to conduct ACP outreach and awareness, including providing grants to outreach partners. The Commission allocated up to $100,000 for outreach, including an outreach grant program and outreach activities by the Commission's Consumer and Governmental Affairs Bureau, , and $10,000 for broadband mapping.

Effective February 8, 2024, the ACP stopped accepting new enrollments and May 2024 was the ACP's last supported service month. As of the date of the enrollment freeze, there are 23.3 million households enrolled in the program. In FY 2024, the FCC obligated $5,264,360 and had net outlays of $5,995,668 for the ACP, broadband mapping, and grants or outreach. For EBCF-EBBP, the FCC obligated $39,901 and had net outlays of $38,175. Also, see Note 1 H.

Note 1 – Summary of Significant Accounting Policies (continued)

Q. Emergency Connectivity Fund (ECF)

The ECF was established to help schools and libraries provide connected devices, such as a laptop, tablet, or similar end-user devices, and connectivity to students, school staff, and library patrons during the COVID-19 pandemic, Congress established a $7,172,000 ECF (of which $1,000 was for OIG), to remain available until September 30, 2030 as part of the American Rescue Plan Act of 2022 (ARPA) signed into law on March 11, 2021.

The ECF Program application filing final window closed on May 13, 2022. During the final filing window, eligible schools and libraries could request funding for eligible equipment, non-recurring services, and up to 12 months of recurring services that will be delivered or received between July 1, 2022, through December 31, 2023. ECF Program support is only available for purchases of eligible equipment and services made by September 30, 2024.

On March 23, 2024, the Further Consolidated Appropriations Act, 2024 (P.L. 118-47) permanently rescinded $1,768,000 of the unobligated balances made available no later than September 30, 2024.

In FY 2024, the ECF had obligations of $153,279 and net outlays of $1,004,041, and rescinded $1,768,000 of the unobligated balances. In FY 2023, the FCC obligated $1,160,344 and had net outlays of $1,877,562. Also, see Note 1 H and L, and Note 3.

R. Secure & Trusted Communications Networks Reimbursement Program or the Supply Chain Reimbursement Program (SCRP)

On March 12, 2020, the Secure and Trusted Communications Networks Act of 2019 (Secure Networks Act) was signed into law. The Secure Networks Act, among other measures, directed the Commission to establish the SCRP to fund the removal, replacement, and disposal of covered communications equipment or services that pose an unacceptable risk to the national security of the United States or the security and safety of U.S. persons from the networks of providers of advanced communications service. On December 10, 2020, the Commission adopted a *Second Report and Order* implementing the Secure Networks Act by establishing rules for the SCRP. The SCRP provides funding allocations to eligible providers based on their estimated costs. SCRP recipients can then obtain funding disbursements from their allocation upon showing of actual expenses incurred. SCRP recipients have one year from the initial disbursement to complete the permanent removal, replacement, and disposal of covered communications equipment or services, unless a general and individual extensions of that deadline is granted by the Commission. Recipients of SCRP funds shall use these funds solely to: (1) permanently remove covered communications equipment and services from their networks; (2) replace the covered communications equipment and services with non-covered equipment or services; and (3) dispose of the covered communications equipment and services in accordance with the Secure Networks Act.

The Commission released a *Third Report and Order*, on July 14, 2021, implementing the changes required by the Consolidated Appropriations Act and making additional clarifications about the SCRP. Notably, the Commission stated that the SCRP is limited to reimbursing the costs of removal, replacement, and disposal to communications equipment and service produced or provided by Huawei and ZTE that was obtained on or before June 30, 2020.

For FY 2024, $11,499 was obligated and had net outlays of $625,002. In FY 2023, $7,517 was obligated with net outlays of $251,550. Also, see Note 1 H and Note 3.

Note 1 – Summary of Significant Accounting Policies (continued)

S. Connect America Fund

After completing the Connect America Fund Phase II reverse auction (CAF II Auction), the FCC committed to award a potential total of $1,488,330 over a 10-year period. As of September 30, 2024, the FCC has directed USAC to obligate a total of $1,483,812 for carriers who have successfully complied with the requirements to be eligible to receive support to provide fixed broadband and voice services to over 700,000 locations in 45 states. There are $10,246 bids in default as of September 30, 2024, leaving no balance to be obligated. In addition, the FCC committed to award a potential total of $170,400 to carriers that won the CAF II New York Auction over a 10-year period. As of September 30, 2024, FCC has directed USAC to obligate a total amount of $65,487, with remaining balance of $104,913 to be obligated. There are $54,549 for CAF II and $660 for CAF II New York de-obligation due to carrier default or lack of CFR compliance as of September 30, 2024.

T. Rural Digital Opportunity Fund (RDOF)

Pursuant to a public notice, DA 20-1422, released on December 7, 2020 by the Rural Broadband Auctions Task Force (RBATF), the Wireline Competition Bureau (WCB), and the Office of Economics and Analytics (OEA), there were 180 winning bidders in the Rural Digital Opportunity Fund Phase I auction (Auction 904), with the 10-year support amount totaling $9,230,688 and covering 5,220,833 locations in 49 states and one territory. As of September 30, 2024, the FCC has directed USAC to obligate a total of approximately $6,064,438 for applicants who have successfully complied with the requirements to be eligible to receive support to provide voice and broadband services.

As of September 30, 2024, the Commission has announced that applicants have defaulted on a total of approximately $3,226,483 in support associated with winning bids. There are total $42,259 de-obligation for RDOF due to downward adjustments of current obligation.

U. Rate of Return Alternative Connect America Cost Model (ROR A-CAM)

Pursuant to FCC Public Oder DA 23-1025, released on October 30, 2023, and consistent with the Commission's Enhanced A-CAM Order, the Wireline Competition Bureau (WCB) authorizes 368 rate-of-return companies that elected offers of Enhanced Alternative Connect America Cost Model (Enhanced A-CAM) support to receive model-based support. The authorizations specify support to the electing companies for a 15-year period beginning January 1, 2024, in exchange for these companies committing to deploy broadband service of at least 100/20 Mbps service to over 700,000 unserved locations across the United States and maintain or improve existing 100/20 Mbps service to approximately 2 million locations. The Enhanced A-CAM support obligated totals $18,259,716 over the full 15-year term. The WCB authorizes and directs the USAC to obligate and disburse the annual support amounts over a 15-year term, from January 1, 2024, to December 31, 2038.

V. Comparison and Other

Certain FY 2023 amounts have been reclassified to conform to the FY 2024 presentation. Specifically, the Balance Sheet lines items.

Note 2 – Non-entity Assets

The following summarizes Non-entity Assets as of September 30, 2024 and September 30, 2023:

	FY 2024	FY 2023
Intragovernmental Assets:		
Fund Balance with Treasury	$ 3,283,949	$ 3,421,293
Total Intragovernmental Assets	3,283,949	3,421,293
Accounts Receivable, Net	80,950	24,436
Total Non-entity Assets	3,364,899	3,445,729
Total Entity Assets	10,268,676	20,039,991
Total Assets	$ 13,633,575	$ 23,485,720

Non-entity Fund Balance with Treasury (FBWT) primarily represents auction deposits. Accounts receivable considered non-entity include regulatory fees, application fees, fines and forfeitures, spectrum auctions.

Note 3 – Fund Balance with Treasury

The following summarizes FBWT as of September 30, 2024 and September 30, 2023:

	FY 2024	FY 2023
Status of Fund Balance with Treasury		
Unobligated Balance		
Available	$ (22,734,234)	$ (4,028,105)
Unavailable	941,390	281,948
Obligated Balance not yet Disbursed	31,003,487	22,881,736
Non-Budgetary FBWT	3,283,949	3,421,293
Total	$ 12,494,592	$ 22,556,872

The $10,062,280 decrease in total FBWT from FY 2023 to FY 2024 resulted primarily from increased program participant reimbursement activities throughout FY 2024 in the ECF, the ACF, the SCRP and ECF's rescission.

The FBWT includes general funds, revolving funds, special funds, and deposit funds.

General Funds – Includes the salaries and expense appropriation used to fund agency operations, COVID-19 Telehealth Program, Broadband DATA Act program, ACP, EBCF-EBBP, SCRP, ECF, the auction and reimbursable accounts, the credit reform program account, other no-year accounts used to carry over spectrum auction funds, offsetting collections, and the Office of Inspector General USF.

Revolving Funds – Includes the credit reform financing account used to record cash flows associated with the Commission's spectrum auction loan program.

Special Funds – Includes funds from TVBRF, USF and TRS fund. Universal Service Funds are for the four USF programs and the CCPP. The USF programs are exempt from the application of the

Note 3 – Fund Balance with Treasury (continued)

provisions of the Anti-deficiency Act by Congress through December 31, 2024 and are not subject to an apportionment by OMB.

Deposit Funds – Includes monies being held for regulatory fees and spectrum auctions. Deposit funds are non-budgetary and are not available for use by the Commission unless they are properly identified or reclassified as Commission funds. Otherwise, these funds are returned to the depositor or transferred to the Treasury General Fund or other federal agencies.

Note 4 – Accounts Receivable, Net

The following summarizes Accounts Receivable, Net as of September 30, 2024 and September 30, 2023:

FY 2024	Intragovernmental	Public	Total
Gross Accounts Receivable	$ 3	$ 2,655,341	$ 2,655,344
Allowance for Doubtful Accounts	-	(1,649,698)	(1,649,698)
Accounts Receivable, Net	$ 3	$ 1,005,643	$ 1,005,646

FY 2023	Intragovernmental	Public	Total
Gross Accounts Receivable	$ 3	$ 2,466,302	$ 2,466,305
Allowance for Doubtful Accounts	-	(1,658,393)	(1,658,393)
Accounts Receivable, Net	$ 3	$ 807,909	$ 807,912

The following summarizes accounts receivable by type as of September 30, 2024 and September 30, 2023:

	FY 2024			FY 2023		
	Accounts Receivable	Allowance	Net	Accounts Receivable	Allowance	Net
USF	$ 1,363,098	$ (591,760)	$ 771,338	$ 1,229,592	$ (557,245)	$ 672,347
TRS	163,791	(80,179)	83,612	153,236	(78,836)	74,400
Regulatory Fees	39,460	(21,689)	17,771	31,194	(23,151)	8,043
Spectrum Auction	8,680	(8,680)	-	8,680	(8,680)	-
Civil Monetary Penalties	952,020	(896,613)	55,407	992,192	(980,713)	11,479
ECF	14,213	(11,794)	2,419	4,916	(2,197)	2,719
EBBP/ACP	98,930	(30,884)	68,046	32,901	-	32,901
Other	15,152	(8,099)	7,053	13,594	(7,571)	6,023
Total	$ 2,655,344	$ (1,649,698)	$ 1,005,646	$ 2,466,305	$ (1,658,393)	$ 807,912

The Commission expects to collect 100% of intragovernmental receivables and no allowance is recorded. See Note 1 E for more information on the estimation method used to determine the allowance for uncollectible amounts.

Note 5 – Property, Plant and Equipment, Net

The following table summarizes total PP&E and accumulated depreciation as of September 30, 2024 and September 30, 2023. See Note 1 F for more information.

	FY 2024 Net PP&E	FY 2023 Net PP&E
Balance Beginning of Year, Adjusted	$ 104,587	$ 95,084
Capitalized acquisitions	25,925	24,160
Disposition	-	(550)
Depreciation expense	(13,292)	(14,107)
Balance at End of Year	$ 117,220	$ 104,587

The following table summarizes total PP&E and accumulated depreciation by major class as of September 30, 2024 and September 30, 2023.

	FY 2024			FY 2023		
Major Class	Cost	Accumulated depreciation	Book value, net	Cost	Accumulated depreciation	Book value, net
Land	$ 1,431	$ -	$ 1,431	$ 1,431	$ -	$ 1,431
Buildings	18,970	6,768	12,202	18,970	6,379	12,591
Equipment	50,671	46,404	4,267	51,906	46,370	5,536
Leashold Improvements	20,909	12,264	8,645	20,909	10,618	10,291
Software	287,043	270,843	16,200	275,049	261,191	13,858
Software In Development	74,475	-	74,475	60,880	-	60,880
Total	$ 453,499	$ 336,279	$ 117,220	$ 429,145	$ 324,558	$ 104,587

Note 6 – Liabilities Not Covered by Budgetary Resources

The following summarizes Liabilities Not Covered by Budgetary Resources as of September 30, 2024 and September 30, 2023:

	FY 2024	FY 2023
Intragovernmental Liabilities:		
FECA Liability	$ 353	$ 371
Unemployment Liability	5	-
Total Intragovernmental Liabilities	358	371
Unfunded Leave	23,445	23,353
Actuarial FECA Liability	2,050	2,220
Other:		
Energy Savings Performance Contract	5,817	6,098
Accrued Liabilities for USF and TRS	530,107	558,438
Total Liabilities Not Covered by Budgetary Resources	561,777	590,480
Total Liabilities Covered by Budgetary Resources	707,416	1,277,597
Total Liabilities Not Requiring Budgetary Resources	3,347,129	3,437,686
Total Liabilities	$ 4,616,322	$ 5,305,763

Liabilities not covered by budgetary resources are liabilities incurred that are not covered by realized budgetary resources as of the Balance Sheet date.

Note 7 – Other Liabilities

The following summarizes Other Liabilities as of September 30, 2024 and September 30, 2023:

	FY 2024	FY 2023
Intragovernmental Liabilities		
Liability to the General Fund and Other Non-Entity Assets	$ 3,303,577	$ 3,091,621
Other	2,198	4,545
Total Intragovernmental Liabilities	3,305,775	3,096,166
Other than Intragovernmental Liabilities		
Prepaid Contributions	77,110	64,111
Accrued Liabilities for USF and TRS	530,107	558,438
Deposit/ Unapplied Liability	1,491	2,945
Other	5,878	25,804
Total Other Than Intragovernmental Liabilities	614,586	651,298
Total Other Liabilities	$ 3,920,361	$ 3,747,464

The Liability to the General Fund and Other Non-Entity Assets includes both cash collected, and net accounts receivable being held for transfer to the Treasury General Fund or other Federal agencies. The Commission collects the following types of custodial revenue: fines and forfeitures revenue, penalty revenue on regulatory fees and spectrum auctions program revenue.

Prepaid Contributions include USF and TRS contribution overpayments that may be refunded or used to offset future payments. Accrued Liabilities for USF and TRS primarily represent anticipated future payments for the Lifeline Program, and certain support mechanisms within the High Cost Program and TRS. The obligations for these subsidies are not recognized until payment files are approved in the subsequent month.

Deposit/Unapplied Liabilities include upfront auction payments received. The remaining Other Liabilities primarily represent anticipated payments related to payroll and other services, Energy Saving Performance Contract, and funds received that are being held until proper application is determined.

Note 8 – Leases

The Commission has occupancy agreements (OAs) for its headquarters building and field offices located throughout the United States and its territories, that house day-to-day mission operations. The General Services Administration (GSA) leases commercial facilities and provides spaces in federal buildings for occupancy by the agency. The OAs range from 12 months to 180 months, however, the OAs with the GSA are cancellable. In FY 2024, the annual operating lease/OA payments with GSA were $29,355.

Note 9 – Commitments and Contingencies

The Commission is a party in various administrative proceedings, legal actions, and claims brought by or against the agency. The Commission, USAC, and the U.S. Department of Justice (DOJ) are investigating several cases and prosecuting others related to disbursements of universal service funds from its programs

Note 9 – Commitments and Contingencies (continued)

which might result in future proceedings or actions. Similarly, the Commission, the TRS Fund Administrator, and the DOJ are investigating several cases related to the TRS funds.

The complexity of these future actions precludes management from estimating the total amount of recovery that may result.

In addition, there are certain operating leases and contracts that may contain provisions regarding contract termination costs upon early contract termination. In management's opinion, early contract termination will not materially affect the Commission's consolidated financial statements.

As of September 30, 2024, the likelihood of an unfavorable outcome on all current legal cases is considered remote and no additional disclosure is needed.

Note 10 – Funds from Dedicated Collections

The telecommunications companies in the U.S. are obligated to make contributions to the USF and the TRS Fund. The Commission currently recognizes the contributions collected under the USF and TRS as Non-exchange revenue on its Statement of Changes in Net Position and Custodial Activity, and the related disbursements as program expenses on the Statement of Net Cost. The program costs for the USF are allocated to the strategic goals: Pursue a "100 Percent" Broadband Policy and Promote Diversity, Equity, Inclusion and Accessibility. The program costs for the TRS are allocated to the strategic goals: Promote Diversity, Equity, Inclusion and Accessibility and Empower Consumers.

As previously discussed, the Spectrum Act requires the Commission to reimburse relocation costs reasonably incurred by full power and Class A broadcasters and MVPDs who are involuntarily reassigned to new channels as a result of the BIA. In FY 2018, Congress appropriated additional funding and also expanded the universe of entities eligible for reimbursement. These reimbursement costs are accounted for in the U.S. Budget as the "TV Broadcaster Relocation Fund," which is funded by forward auction proceeds and direct appropriations. The Commission recognized the reimbursement costs for the TVBRF as program expenses on the Statement of Net Cost.

The Commission had no activity related to Gifts and Bequests in FYs 2024 and 2023.

The following pages summarize the significant assets, liabilities, and costs incurred related to the TVBRF, USF and TRS as of September 30, 2024 and September 30, 2023. The information below is shown on a combined and consolidated bases. The Commission had no eliminations between dedicated collection funds. Therefore, the combined and consolidated are the same.

Note 10 –Funds from Dedicated Collections (continued)

FY 2024	TVBRF	USF	TRS	Total Funds from Dedicated Collections (Consolidated)
Balance Sheet as of September 30, 2024				
Intragovernmental Assets:				
Fund Balance with Treasury	$ 927,319	$ 5,592,199	$ 249,529	$ 6,769,047
Total Intragovernmental Assets	927,319	5,592,199	249,529	6,769,047
Other than intragovernmental assets:				
Accounts Receivable, Net (Note 4)	788	771,338	83,619	855,745
Property, Plant and Equipment, Net (Note 5)	-	16,898	4,890	21,788
Advances and Prepayments	-	13,024	-	13,024
Total Other Than Intragovernmental Assets	788	801,260	88,509	890,557
Total Assets	$ 928,107	$ 6,393,459	$ 338,038	$ 7,659,604
Other Than Intragovernmental Liabilities:				
Accounts Payable	$ 796	$ 360,968	$ 5,531	$ 367,295
Deferred Revenue	-	-	7,924	7,924
Prepaid Contributions	-	75,625	1,485	77,110
Accrued Liabilities	-	293,067	237,040	530,107
Total Liabilities	$ 796	$ 729,660	$ 251,980	$ 982,436
Unexpended Appropriations	$ 754,135	$ -	$ -	$ 754,135
Cumulative Results of Operations	173,176	5,663,799	86,058	5,923,033
Total Liabilities and Net Position	$ 928,107	$ 6,393,459	$ 338,038	$ 7,659,604
Statement of Net Cost for the Year Ended September 30, 2024				
Pursue a "100 Percent" Broadband Policy	$ (1,233)	$ 6,700,592	$ -	$ 6,699,359
Promote Diversity, Equity, Inclusion, and Accessibility	-	2,064,944	694,401	2,759,345
Empower Consumers	-	-	694,401	694,401
Net Cost of Operations	$ (1,233)	$ 8,765,536	$ 1,388,802	$ 10,153,105
Statement of Changes in Net Position for the Year Ended September 30, 2024				
Unexpended Appropriations				
Beginning Balances	$ 753,872	$ -	$ -	$ 753,872
Appropriations Used	263	-	-	263
Total Unexpended Appropriations	754,135	-	-	754,135
Cumulative Results of Operations				
Beginning Balance	172,206	6,028,072	132,168	6,332,446
Appropriations Used	(263)	-	-	(263)
Other Than Intragovernmental Non-exchange Revenue	-	8,401,263	1,342,692	9,743,955
Net Cost of Operations	(1,233)	8,765,536	1,388,802	10,153,105
Net Change in Cumulative Results of Operations	970	(364,273)	(46,110)	(409,413)
Total Cumulative Results of Operations	173,176	5,663,799	86,058	5,923,033
Net Position, End of period	$ 927,311	$ 5,663,799	$ 86,058	$ 6,677,168

Note 10 – Funds from Dedicated Collections (continued)

FY 2023	TVBRF	USF	TRS	Total Funds from Dedicated Collections (Consolidated)
Balance Sheet as of September 30, 2023				
Intragovernmental Assets:				
Fund Balance with Treasury	$ 931,530	$ 5,940,550	$ 309,119	$ 7,181,199
Total Intragovernmental Assets	931,530	5,940,550	309,119	7,181,199
Other than intragovernmental assets:				
Accounts Receivable, Net (Note 4)	1,103	672,349	74,425	747,877
Property, Plant and Equipment, Net (Note 5)	-	10,812	2,247	13,059
Advances and Prepayments	-	13,024	-	13,024
Total Other Than Intragovernmental Assets	1,103	696,185	76,672	773,960
Total Assets	$ 932,633	$ 6,636,735	$ 385,791	$ 7,955,159
Other Than Intragovernmental Liabilities:				
Accounts Payable	$ 6,555	$ 223,882	$ 7,461	$ 237,898
Deferred Revenue	-	-	8,394	8,394
Prepaid Contributions	-	62,547	1,564	64,111
Accrued Liabilities	-	322,234	236,204	558,438
Total Liabilities	$ 6,555	$ 608,663	$ 253,623	$ 868,841
Unexpended Appropriations	$ 753,872	$ -	$ -	$ 753,872
Cumulative Results of Operations	172,206	6,028,072	132,168	6,332,446
Total Liabilities and Net Position	$ 932,633	$ 6,636,735	$ 385,791	$ 7,955,159
Statement of Net Cost for the Year Ended September 30, 2023				
Pursue a "100 Percent" Broadband Policy	$ 15,578	$ 6,195,603	$ -	$ 6,211,181
Promote Diversity, Equity, Inclusion, and Accessibility	-	1,889,065	632,316	2,521,381
Empower Consumers	-	-	632,316	632,316
Net Cost of Operations	$ 15,578	$ 8,084,668	$ 1,264,632	$ 9,364,878
Statement of Changes in Net Position for the Year Ended September 30, 2023				
Unexpended Appropriations				
Beginning Balances	$ 759,909	$ -	$ -	$ 759,909
Appropriations Used	(6,037)	-	-	(6,037)
Total Unexpended Appropriations	753,872	-	-	753,872
Cumulative Results of Operations				
Beginning Balance	181,747	6,120,336	340,000	6,642,083
Appropriations Used	6,037	-	-	6,037
Other Than Intragovernmental Non-exchange Revenue	-	7,992,404	1,056,800	9,049,204
Net Cost of Operations	15,578	8,084,668	1,264,632	9,364,878
Net Change in Cumulative Results of Operations	(9,541)	(92,264)	(207,832)	(309,637)
Total Cumulative Results of Operations	172,206	6,028,072	132,168	6,332,446
Net Position, End of period	$ 926,078	$ 6,028,072	$ 132,168	$ 7,086,318

Note 10 – Funds from Dedicated Collections (continued)

The FY 2024 and FY 2023 funds from dedicated collections are presented on a combined basis. The tables below summarize the elimination of activities between dedicated collections and all other fund types to arrive at the consolidated assets and liabilities as presented on the balance sheet.

	Dedicated Collections Combined	All Other Amounts (with Eliminations)	Total Combined	Consolidating Eliminations Between Dedicated & All Other	Consolidated
FY 2024					
Assets Other Than Intragovernmental					
Accounts Receivable, Net	$ 855,745	$ 153,747	$ 1,009,492	$ (3,849)	$ 1,005,643
Liabilities Other Than Intragovernmental					
Other Liabilities - Other	$ -	$ 9,727	$ 9,727	$ (3,849)	$ 5,878

	Dedicated Collections Combined	All Other Amounts (with Eliminations)	Total Combined	Consolidating Eliminations Between Dedicated & All Other	Consolidated
FY 2023					
Assets Other Than Intragovernmental					
Accounts Receivable, Net	$ 747,877	$ 60,079	$ 807,956	$ (47)	$ 807,909
Liabilities Other Than Intragovernmental					
Other Liabilities - Other	$ -	$ 25,851	$ 25,851	$ (47)	$ 25,804

Note 11 – Inter-Entity Costs

Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by the Commission are recognized as imputed cost in the Statement of Net Cost and are offset by imputed revenue in the Statement of Changes in Net Position. Such imputed costs and revenues relate to employee benefits. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements.

Note 12 – Undelivered Orders at the End of the Period

The amount of budgetary resources obligated for undelivered orders totaled $30,428,589 as of September 30, 2024 and $21,727,498 as of September 30, 2023. The following summarizes Undelivered Orders as of September 30, 2024 and September 30, 2023:

Note 12 – Undelivered Orders at the End of the Period (continued)

FY 2024	Federal	Non-Federal	Total
Undelivered Orders-Unpaid	$ 9,274	$ 30,403,766	$ 30,413,040
Undelivered Orders-Paid	2,525	13,024	15,549
Total	$ 11,799	$ 30,416,790	$ 30,428,589

FY 2023	Federal	Non-Federal	Total
Undelivered Orders-Unpaid	$ 6,893	$ 21,704,776	$ 21,711,669
Undelivered Orders-Paid	2,805	13,024	15,829
Total	$ 9,698	$ 21,717,800	$ 21,727,498

Note 13 – Permanent Indefinite Appropriations

The Commission has permanent indefinite appropriations available to fund its USF programs and TRS, subsidy costs incurred under credit reform programs, and the development and implementation costs related to the competitive auction program.

Pursuant to 47 U.S.C. § 254 and § 225, the FCC has a permanent indefinite appropriation to fund its universal service programs including the TRS Fund. These programs operate by collecting mandatory contributions from telecommunications carriers providing interstate telecommunications services, and from other providers of interstate telecommunications required to contribute if the public interest so requires.

Credit reform is mainly available to finance any disbursements incurred under the liquidating accounts. These appropriations become available pursuant to standing provisions of law without further action by Congress after transmittal of the budget for the year involved. They are treated as permanent the first year they become available, as well as in succeeding years. However, they are not stated as specific amounts but instead are determined by specified variable factors, such as cash needs for liquidating accounts, and information about the actual performance of a cohort or estimated changes in future cash flows of the cohort in the program accounts.

Pursuant to 47 U.S.C. § 309(j)(8)(B), the FCC can retain proceeds from spectrum auctions for amounts that may be necessary for the costs of developing and implementing the competitive auction program. These retained proceeds are offsetting collections that remain available until expended. Notwithstanding 47 U.S.C. § 309(j)(8)(B), for FY 2024, Congress limited the amount of the auction proceeds that may be retained and made available for obligation to $136,167.

Note 14 – Legal Arrangements Affecting Use of Unobligated Balances

Offsetting collections received in excess of $390,192 in FY 2024 and FY 2023 are precluded from obligation. In addition, the RAY BAUM'S Act requires the Commission to transfer all excess regulatory fees collected from prior and subsequent fiscal years to the Treasury General Fund for the sole purpose of deficit reduction.

Note 15 – Explanation of Differences between the Statement of Budgetary Resources and the Budget of the U.S. Government (Dollars in Millions)

There was a $30 difference between the Combined Statement of Budgetary Resources (SBR) for FY 2023 and the amounts presented in the FY 2025 Budget of the United States Government. The Distributed Offsetting Receipts information provided to OMB by the FCC was inadvertently excluded by OMB resulting in the $30 difference. The FY 2026 Budget of the United States Government, which will include actual numbers for FY 2024, has not been published at this time. Pursuant to 31 U.S.C. § 1105, the Budget of the United States Government will be released not later than the first Monday in February and will be available at the following website: https://www.whitehouse.gov/omb/budget/.

	Total Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 13,418	$17,181	$ (30)	$17,954
Difference: Rounding	1			(1)
Difference: Information was provided to OMB but was not included.			30	
Budget of the U.S. Government	$ 13,419	$17,181	$ -	$17,953

Note 16 – Custodial Revenues

In accordance with the provisions of SFFAS 7, *Accounting for Revenue & Other Financing Sources*, the Commission collects non-exchange revenues, on a modified cash basis of accounting. The non-exchange revenues are not reported in the Commission's net cost or net position. Custodial collections consist of miscellaneous receipts, and fines and forfeitures to be deposited in the Treasury General Fund. Fines and Forfeitures are made up of consent decrees and forfeiture orders. Forfeiture orders are probable, measurable, and legally enforceable claims, but need to result in a judgement issued by a federal court before they become legally collectible debts. Consent decrees are legally collectible debts. Additionally, the Commission reports exchange revenue associated with radio spectrum auction proceeds on the Statement of Custodial Activity. For more information, refer to Note 1 L. The total custodial non-exchange collections as of September 30, 2024 and September 30, 2023 were $259,456 and $21,282, respectively. There were no material refunds issued for the period ended September 30, 2024 and September 30, 2023.

Note 17 – Reconciliation of Net Cost to Net Outlays (Budget to Accrual Reconciliation)

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting.

Note 17 – Reconciliation of Net Costs to Net Outlays (Budget to Accrual Reconciliation) (continued)

The following analysis illustrates this reconciliation by listing the Commission's key differences between net cost and net outlays for the reporting period as of September 30, 2024 and September 30, 2023.

FY 2024	Intragovernmental	Other than Intragovernmental	Total
Net Cost of Operations	$ 139,101	$ 16,977,164	$ 17,116,265
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
Property, Plant, and Equipment Depreciation	-	(13,292)	(13,292)
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	-	109,172	109,172
Other Assets	(231)	-	(231)
(Increase)/Decrease in Liabilities:			
Accounts Payable	(210)	566,771	566,561
Federal Employee Benefits Payable	-	(346)	(346)
Pensions and Post Employment Related Benefits	-	218	218
Other Liabilities	2,298	38,878	41,176
Financing Sources:			
Imputed Cost	(14,098)	-	(14,098)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	$ (12,241)	$ 701,401	$ 689,160
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Acquisition of Capital Assets	-	25,925	25,925
Financing Sources:			
Transfers Out (In) Without Reimbursement	49	-	49
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	$ 49	$ 25,925	$ 25,974
Other Reconciling Items:			
Custodial/Non-exchange Revenue	(1,203)	-	(1,203)
Other Temporary Timing Differences	-	(7,486)	(7,486)
Total Other Reconciling Items	$ (1,203)	$ (7,486)	$ (8,689)
NET OUTLAYS (Calculated Total)	$ 125,706	$ 17,697,004	$ 17,822,710
Budgetary Agency Outlays, Net (SBR 4210)			
Outlays, Net (Total) (Discretionary and Mandatory)			17,846,842
Distributed Offsetting Receipts (-)			(24,132)
Budgetary Agency Outlays, Net			$ 17,822,710

Note 17 – Reconciliation of Net Costs to Net Outlays (Budget to Accrual Reconciliation) (continued)

FY 2023	Intragovernmental	Other than Intragovernmental	Total
Net Cost of Operations	$ 127,098	$ 17,910,819	$ 18,037,917
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
Property, Plant, and Equipment Depreciation	-	(14,107)	(14,107)
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	(6)	19,819	19,813
Other Assets	1,599	-	1,599
(Increase)/Decrease in Liabilities:			
Accounts Payable	(161)	(153,635)	(153,796)
Federal Employee Benefits Payable	-	(986)	(986)
Pensions and Post Employment Related Benefits	-	(613)	(613)
Other Liabilities	(761)	36,423	35,662
Financing Sources:			
Imputed Cost	(14,367)	-	(14,367)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	$ (13,696)	$ (113,099)	$ (126,795)
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Acquisition of Capital Assets	-	24,160	24,160
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	$ -	$ 24,160	$ 24,160
Other Reconciling Items:			
Custodial/Non-exchange Revenue	(8,008)	-	(8,008)
Other Temporary Timing Differences	-	(3,134)	(3,134)
Total Other Reconciling Items	$ (8,008)	$ (3,134)	$ (11,142)
NET OUTLAYS (Calculated Total)	$ 105,394	$ 17,818,746	$ 17,924,140
Budgetary Agency Outlays, Net (SBR 4210)			
Outlays, Net (Total) (Discretionary and Mandatory)			17,954,145
Distributed Offsetting Receipts (-)			(30,005)
Budgetary Agency Outlays, Net			$ 17,924,140

Note 18 – Disclosure Entities

Universal Service Administrative Company (USAC) – The Commission is responsible for the overall management and oversight of the USF, including all USF policy decisions. USAC was established in 1997 as a not-for-profit subsidiary of the National Exchange Carrier Association, Inc. (NECA), and in that same year, the FCC appointed USAC as the permanent administrator, under the Commission's direction, of the four USF programs. The four USF programs are High Cost, Lifeline, Rural Health Care, and E-Rate. USAC, as the administrator of the USF, is responsible for the effective administration of the USF programs, including billing, collection, and disbursement.

National Exchange Carrier Association, Inc. (NECA) – NECA was established as a non-stock Delaware corporation, which, pursuant to FCC rules, files interstate access tariffs and administers interstate access revenue pools for local telephone companies throughout the United States including its territories. NECA performs data collection functions for the High Cost Program and bills USAC for the associated costs.

Note 18 – Disclosure Entities (continued)

NECA is compensated by USAC in accordance with NECA's Cost Accounting and Procedures Manual. NECA has no management control over USAC and derives no economic benefits from this subsidiary relationship. NECA does not consolidate with USAC's financial statements since it does not meet the criteria for consolidation in accordance with the accounting standards for consolidation of all majority-owned subsidiaries. The investment in USAC, which is carried at cost, is insignificant to these financial statements.

Local Number Portability Administrator (LNPA) Program – The LNPA program facilitates portability of U.S. geographic telephone numbers between telephony service providers. The LNPA program provides and operates the Number Portability Administration Center (NPAC) system that provides local number portability for the United States, performing the service of porting telephone numbers between service providers. The LNPA program is funded by fees the LNPA charges telecommunications service providers for its service, pursuant to FCC rules.

The FCC exercises oversight of the LNPA procurement process and regulates local number portability. The FCC has authorized the telephony service provider industry consortium, North American Portability Management, LLC (NAPM), to procure the LNPA and oversee the LNPA's performance and operation of the LNPA program. Currently iconectiv, LLC is the LNPA under a contract with NAPM; iconectiv, LLC is a subsidiary, subject to a voting trust, of Telefonaktiebolaget LM Ericsson (d/b/a Ericsson), a publicly traded Swedish multinational networking and telecommunications company.

In accordance with SFFAS 47, *Reporting Entity,* none of these entities substantially meet the requirements for consolidated entities. As of September 30, 2024, the likelihood is considered remote of any potential financial and non-financial risks or benefits for the Commission associated with the control of or involvement with USAC, NECA, or LNPA program. USAC and NECA are all not-for-profit corporations and LNPA is a program pursuant to FCC rules. USAC's annual reports are available at https://www.usac.org, while NECA's annual reports are available at https://www.neca.org. LNPA program's annual reports are submitted to North American Portability Management LLC, which provides them to the FCC.

Note 18 – Disclosure Entities (continued)

The following summarizes the balances from transactions with Disclosure Entities as of September 30, 2024 and September 30, 2023.

FY 2024	USAC	NECA	Total
Balance Sheet			
Advances and prepayments (Note 1 G)	$ 13,024	$ -	$ 13,024
Accounts payable[1]	27,422	-	27,422
Statement of Net Cost			
Net cost of operations[2]	$ 288,144	$ 434	$ 288,578
Statement of Changes in Net Position			
Net cost of operations[2]	$ 288,144	$ 434	$ 288,578

FY 2023	USAC	NECA	Total
Balance Sheet			
Advance and prepayments (Note 1 G)	$ 13,024	$ -	$ 13,024
Accounts payable[1]	14,526	-	14,526
Statement of Net Cost			
Net cost of operations[2]	$ 244,464	$ 435	$ 244,899
Statement of Changes in Net Position			
Net cost of operations[2]	$ 244,464	$ 435	$ 244,899

[1] This portion in the accounts payable consists of the administrative fee for USF due to USAC and NECA.

[2] This portion of the operation expenses includes the administrative fees incurred in USF. The Commission approves the administrative costs to cover expenses such as: the salaries and benefits for the employees dedicated to managing the funds; rent and utilities for office space used; accounting and other financial reporting related services; and other management activities.

Note 19 – Reclassification of Financial Statement Line Items for Financial Report Compilation Process

To prepare the *Financial Report of the U.S. Government* (*Financial Report*), the U.S. Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Statement of Net Cost and a Reclassified Statement of Changes in Net Position. Treasury eliminates intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the *Financial Report* statements. This note shows the FCC's financial statements and the FCC's reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated *Financial Report* line items. A copy of the 2024 *Financial Report* once released can be found here: https://fiscal.treasury.gov/reports-statements/financial-report/current-report.html

The term "intragovernmental" is used in this note to refer to amounts that result from other components of the Federal Government.

The term "non-federal" is used in this note to refer to Federal Government amounts that result from transactions with non-federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments.

Note 19 – Reclassification of Financial Statement Line Items for Financial Report Compilation Process (continued)

Reclassification of Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost for the Years Ended September 30, 2024

FY 2024 FCC SNC		Line Items Used to Prepare FY 2024 Government-wide SNC			
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Other than Dedicated Collections (with Eliminations)**	**Total**	**Reclassified Financial Statement Line**
					Non-Federal Costs
Gross Costs	$ 17,688,705	$ 10,153,105	$ 7,398,202	$ 17,551,307	Non-Federal Gross Cost
	-	10,153,105	7,398,202	17,551,307	***Total Non-Federal Costs***
					Intragovernmental Costs
	-	-	60,122	60,122	Benefit Program Costs
	-	-	14,098	14,098	Imputed Costs
	-	-	45,556	45,556	Buy/Sell Costs
	-	-	17,622	17,622	Other Expenses (w/o Reciprocals)
	-	-	***137,398***	***137,398***	***Total Intragovernmental Costs***
Total Gross Costs	***$ 17,688,705***	***$ 10,153,105***	***$ 7,535,600***	***$ 17,688,705***	*Total Reclassified Gross Costs*
Earned Revenue[3]	(572,440)	-	(435,663)	(435,663)	Non-Federal Earned Revenue
					Intragovernmental Revenue
	-	-	(606)	(606)	Buy/Sell Revenue
	-	-	(3)	(3)	Borrowing and Other Interest Revenue
	-	-	***(610)***	***(610)***	***Total Intragovernmental Earned Revenue***
Total Earned Revenue	***(572,440)***	-	***(436,273)***	***(436,273)***	*Total Reclassified Earned Revenue*
Net Cost	**$ 17,116,265**	**$ 10,153,105**	**$ 7,099,327**	**$ 17,252,432**	**Net Cost**
Exchange Statement of Custodial Activity					
Refunds and Other Payments *Auctions Salaries & Expenses*	**-**	**-**	**(136,167)**	**(136,167)**	Buy/Sell Revenue (Intradepartmental Eliminations for Auctions Salaries & Expenses)[3]
Net Cost of Operations	$ 17,116,265	$ 10,153,105	$ 6,963,160	$ 17,116,265	**Net Cost of Operations**

[3] Pursuant to 47 U.S.C. § 309, the Commission may retain a portion of the spectrum auction proceeds to offset the cost of performing the auction function. Collections used to offset the cost of performing auction-related activity were appropriated at $136,167 for FY 2024. At the agency level these amounts are recognized on the Consolidated Statement of Custodial Activity in the "Refunds and Other Payments" sections on the line "Auctions Salaries & Expenses (FCC)" and the "Less: earned revenues not attributed to programs" on the Consolidated Statement of Net Cost. At the government-wide level these amounts are eliminated on the Reclassified Statement of Net Cost. Also, at the agency level, standard general ledger (SGL) 679000 Other Expenses Not Requiring Budgetary Resources, custodial is not cross walked to the Statement of Net Cost. At the government-wide level, SGL 679000 Other Expenses Not Requiring Budgetary Resources, custodial and non-custodial are cross walked to the Reclassified Statement of Net Cost.

Note 19 – Reclassification of Financial Statement Line Items for Financial Report Compilation Process (continued)

Reclassification of Statement of Changes in Net Position to Line Items Used for Government-wide Statement of Operations and Changes in Net Position for the Years Ended September 30, 2024

FY 2024 FCC SCNP		Line Items Used to Prepare FY 2024 SCNP			
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Other than Dedicated Collections (with Eliminations)**	**Total**	**Reclassified Financial Statement Line**
UNEXPENDED APPROPRIATIONS					
Unexpended Appropriations, Beginning Balance	$ 11,535,190	$ 7,086,318	$ 11,093,639	$ 18,179,957	Net position, beginning of period - adjusted
Appropriations Received	-	-	(1,768,000)	(1,768,000)	Appropriations received as adjusted
Appropriations Used	(7,031,676)	263	(7,031,939)	(7,031,676)	Appropriations Used
Other adjustments	(1,768,000)	-	-	-	Other adjustments
Total Unexpended Appropriations	**$ 2,735,514**	**$ 7,086,581**	**$ 2,293,700**	**$ 9,380,281**	
CUMULATIVE RESULTS OF OPERATIONS					
Cumulative Results, Beginning Balance	$ 6,644,767				
Appropriations Used	7,031,676	$ (263)	$ 7,031,939	$ 7,031,676	Appropriations Used
Non-Federal Non-Exchange Revenue					***Non-Federal Non-Exchange Revenue***
Non-Exchange Revenue	9,743,955	9,743,955	302,421	10,046,376	Other Taxes and Receipts
SCA: Sources of Cash Collections: Fines and Penalties	259,456				
SCA: Sources of Cash Collections: Spectrum Auctions	305,159	-	305,159	305,159	Miscellaneous Earned Revenues
SCA: Accrual Adjustments: Fines and Penalties	42,964				
Total Non-Federal Non-Exchange Revenue		9,743,955	607,579	10,351,534	***Total Non-Federal Non-Exchange Revenues***
					Federal Non-Exchange Revenue
Non-Exchange Revenue - Intragovernmental	141	-	141	141	Collections transferred into a TAS Other Than the General Fund of the U.S. Government - Nonexchange (RC 15)
Transfers in/out without reimbursement	(49)		(49)	(49)	Expenditure transfers-out of financing sources (RC 09) /1
		-	93	93	***Total Non-Exchange Revenue***
Total Non-Exchange Revenues	10,351,626	9,743,955	607,672	10,351,627	*Total Non-Exchange Revenues*
Other	(36,584)				
SCA: Disposition of Collections: (Increase)/Decrease in Amounts Yet to be Transferred (+/-)	(211,956)	-	(211,956)	(211,956)	Accrual for non-entity amounts to be collected and transferred to the General Fund of the U.S. Government (RC 48)
SCA: Disposition of Collections: Transferred to Others: U.S. Treasury	(259,456)	-	(296,040)	(296,040)	Non-entity collections transferred to the General Fund of the U.S. Government (RC 44)
Total Other	(507,996)	-	(507,997)	(507,997)	*Total Reclassified Other*
Imputed Financing	14,098	-	14,098	14,098	Imputed Financing Sources (Federal)
SCA: Disposition of Collections: Refunds and Other Payments Auctions, Salaries & Expenses (FCC)[3]	(136,167)				
Total Financing Sources	16,753,237				
Net Cost of Operations	17,116,265	10,153,105	7,099,327	17,252,432	**Net Cost of Operations**
Ending Balance – Cumulative Results of Operations	6,281,739				
Total Net Position	$ 9,017,253	$ 6,677,168	$ 2,340,085	$ 9,017,253	**Net Position**

Required Supplementary Information

A. Schedule of Budgetary Resources by Major Account

For the Years Ended September 30, 2024 and the Year Ended September 30, 2023
(Dollars in thousands)

OMB Circular No. A-136, *Financial Reporting Requirements—Revised*, requires additional disclosure of an entity's budgetary information by major budgetary accounts if the information was aggregated for presentation purposes on the Statement of Budgetary Resources. Major budgetary accounts of the Commission include S&E, Auctions, COVID-19 Telehealth, EBCF-EBBP, ACF, SCRP, ECF, TVBRF, USF and TRS. S&E represents general salaries and expenses of the Commission. Auctions include salaries and expenses of the spectrum auctions program. The COVID-19 Telehealth Program represents support for eligible health care providers responding to the pandemic by providing funding for telecommunications services, information services, and connected devices necessary to provide critical connected care services whether for treatment of the COVID-19 disease or other health conditions during the COVID-19 pandemic. The EBCF-EBBP under which eligible low-income households may receive a discount off the cost of broadband service and certain connected devices during an emergency period relating to the COVID-19 pandemic. The ACF consists of the ACP which eligible low-income households may receive a discount off the cost of broadband service and certain connected devices; broadband mapping and the ACP Outreach Grant Program. The SCRP represents the program under which reimbursements for the removal, replacement, and disposal of covered communications equipment or services that pose an unacceptable risk to the national security of the United States or the security and safety of U.S. persons from the networks of providers of advanced communications service. The ECF assists schools and libraries by providing connected devices such as laptops, tablets, or similar end-user devices, and connectivity, to students, school staff, and library patrons during the COVID-19 Pandemic. The TVBRF represents reimbursements of relocation costs for eligible entities and for consumer education relating to the reorganization of broadcast television. USF includes the High Cost, Lifeline, Rural Health Care, E-Rate and the CCPP programs. The TRS Fund represents a program established to support relay services necessary for telecommunications access by speech or hearing-impaired individuals. Non-major budgetary accounts are aggregated under the Other column.

Reflected in the following chart are the major budgetary accounts of the Commission that are aggregated and presented in the Combined Statement of Budgetary Resources as of September 30, 2024 and 2023.

Required Supplementary Information (continued)

A. Schedule of Budgetary Resources by Major Account (continued)

FY 2024	S&E	Auctions	COVID-19 Telehealth	ACF (ACP)	EBCF (EBBP)	SCRP	ECF	TVBRF	USF	TRS	Other	Total
Budgetary Resources:												
Unobligated Balance from Prior Year Budget Authority, net	$ 90,325	$ 61,877	$ 7,328	$ 5,577,452	$ 39,922	$ 46,674	$ 1,975,504	$ 873,967	$ (6,735,080)	$ 282,224	$ 2,864	$ 2,223,057
Appropriations (Discretionary and Mandatory)	-	-	-	-	-	-	(1,768,000)	-	8,370,471	1,332,948	-	7,935,419
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	390,698	136,167	-	-	-	-	-	-	-	-	14	526,879
Total Budgetary Resources	$ 481,023	$ 198,044	$ 7,328	$ 5,577,452	$ 39,922	$ 46,674	$ 207,504	$ 873,967	$ 1,635,391	$ 1,615,172	$ 2,878	$ 10,685,355
Status of Budgetary Resources:												
New obligations and upward adjustments (total)	$ 440,583	$ 98,981	$ 13	$ 5,264,360	$ 39,901	$ 11,499	$ 153,279	$ -	$ 25,081,128	$ 1,405,550	$ -	$ 32,495,294
Unobligated Balance, End of Year:												
Apportioned, Unexpired Accounts	40,354	99,063	7,078	313,092	21	35,175	52,606	-	-	161,299	2,817	711,505
Exempt from apportionment, unexpired accounts	-	-	-	-	-	-	-	-	(23,445,737)	-	-	(23,445,737)
Unapportioned, Unexpired Accounts	-	-	237	-	-	-	1,619	873,967	-	48,323	61	924,207
Unexpired Unobligated Balance, End of Year	40,354	99,063	7,315	313,092	21	35,175	54,225	873,967	(23,445,737)	209,622	2,878	(21,810,025)
Expired Unobligated Balance, End of Year	86	-	-	-	-	-	-	-	-	-	-	86
Unobligated Balance, End of Year (total)	40,440	99,063	7,315	313,092	21	35,175	54,225	873,967	(23,445,737)	209,622	2,878	(21,809,939)
Total Status of Budgetary Resources	$ 481,023	$ 198,044	$ 7,328	$ 5,577,452	$ 39,922	$ 46,674	$ 207,504	$ 873,967	$ 1,635,391	$ 1,615,172	$ 2,878	$ 10,685,355
Outlays, Net:												
Outlays, Net (Discretionary and Mandatory)	$ 59,270	$ (26,419)	$ 35,546	$ 5,995,668	$ 38,175	$ 625,002	$ 1,004,041	$ 4,211	$ 8,718,823	$ 1,392,538	$ (13)	$ 17,846,842
Distributed Offsetting Receipts (-)	(24,132)	-	-	-	-	-	-	-	-	-	-	(24,132)
Agency Outlays, Net (Discretionary and Mandatory)	$ 35,138	$ (26,419)	$ 35,546	$ 5,995,668	$ 38,175	$ 625,002	$ 1,004,041	$ 4,211	$ 8,718,823	$ 1,392,538	$ (13)	$ 17,822,710

Required Supplementary Information (continued)

A. Schedule of Budgetary Resources by Major Account (continued)

FY 2023	S&E	Auctions	COVID-19 Telehealth	ACF (ACP)	EBCF (EBBP)	SCRP	ECF	TVBRF	USF	TRS	Other	Total
Budgetary Resources:												
Unobligated Balance from Prior Year Budget Authority, net	$ 118,418	$ 46,001	$ 3,564	$ 12,172,936	$ 103,112	$ 54,191	$ 1,784,562	$ 945,491	$ (11,750,696)	$ 506,820	$ 2,852	$ 3,987,251
Appropriations (Discretionary and Mandatory)	-	-	(32)	-	-	-	-	-	7,900,702	1,006,654	-	8,907,324
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	390,952	132,231	-	-	-	-	-	-	-	-	11	523,194
Total Budgetary Resources	$ 509,370	$ 178,232	$ 3,532	$ 12,172,936	$ 103,112	$ 54,191	$ 1,784,562	$ 945,491	$ (3,849,994)	$ 1,513,474	$ 2,863	$ 13,417,769
Status of Budgetary Resources:												
New obligations and upward adjustments (total)	$ 425,409	$ 121,401	$ 21	$ 6,672,182	$ 64,925	$ 7,517	$ 1,160,344	$ 83,322	$ 7,401,276	$ 1,244,625	$ -	$ 17,181,022
Unobligated Balance, End of Year:												
Apportioned, Unexpired Accounts	83,708	56,831	3,511	5,500,754	38,187	46,674	441,232	783,419	-	268,849	-	7,223,165
Exempt from apportionment, unexpired accounts	-	-	-	-	-	-	-	-	(11,251,270)	-	-	(11,251,270)
Unapportioned, Unexpired Accounts	15	-	-	-	-	-	182,986	78,750	-	-	2,863	264,614
Unexpired Unobligated Balance, End of Year	83,723	56,831	3,511	5,500,754	38,187	46,674	624,218	862,169	(11,251,270)	268,849	2,863	(3,763,491)
Expired Unobligated Balance, End of Year	238	-	-	-	-	-	-	-	-	-	-	238
Unobligated Balance, End of Year (total)	83,961	56,831	3,511	5,500,754	38,187	46,674	624,218	862,169	(11,251,270)	268,849	2,863	(3,763,253)
Total Status of Budgetary Resources	$ 509,370	$ 178,232	$ 3,532	$ 12,172,936	$ 103,112	$ 54,191	$ 1,784,562	$ 945,491	$ (3,849,994)	$ 1,513,474	$ 2,863	$ 13,417,769
Outlays, Net:												
Outlays, Net (Discretionary and Mandatory)	$ 13,809	$ (16,293)	$ 106,878	$ 6,194,212	$ 7,681	$ 251,550	$ 1,877,562	$ 40,778	$ 8,240,522	$ 1,237,457	$ (11)	$ 17,954,145
Distributed Offsetting Receipts (-)	(30,005)	-	-	-	-	-	-	-	-	-	-	(30,005)
Agency Outlays, Net (Discretionary and Mandatory)	$ (16,196)	$ (16,293)	$ 106,878	$ 6,194,212	$ 7,681	$ 251,550	$ 1,877,562	$ 40,778	$ 8,240,522	$ 1,237,457	$ (11)	$ 17,924,140

Required Supplementary Information (continued)

B. Land

As of September 30, 2024, the FCC owns fourteen real property sites totaling 2,104 acres of operational land. Operational land is land used for general or administrative purposes. The land is primarily used in support of the FCC's Public Safety and Homeland Security mission of developing and implementing policies and programs to strengthen public safety communications and interoperability, homeland security, national security, emergency management and preparedness, disaster management, and network reliability and resiliency. Specifically, the land is used for public safety and homeland security monitoring activities. In addition to the monitoring activities, two of the sites have field offices and/or a lab. Presently, none of the acreage is available for disposal or exchange.

Estimated Acreage by Predominant Use

PP&E Land	Operational
Start of FY 2023	2,104
End of FY 2023/Start of FY 2024	2,104
End of FY 2024	2,104

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III. OTHER INFORMATION (UNAUDITED)

Summary of Financial Statement Audit

Financial Statement Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
	0	0	0	0	0
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**

See accompanying auditor's report.

Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	0	0	0	0	0
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**	**0**

Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	0	0	0	0	0
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**	**0**

Conformance with financial management system requirements (FMFIA § 4)						
Statement of Assurance	Federal Systems conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	0	0	0	0	0
Total Non-Conformances	**0**	**0**	**0**	**0**	**0**	**0**

Payment Integrity

The Federal Communications Commission (FCC or Commission) incorporated improper payment analysis and testing into its processes in Fiscal Year (FY) 2024 in compliance with Federal statutes and guidance detailed in the Office of Management and Budget (OMB) Circular A-123, Appendix C, Requirements for Payment Integrity Improvement (Appendix C). Appendix C defines "significant improper payments" as gross annual improper payments (i.e., the total amount of overpayments and underpayments) in the program exceeding (1) both 1.5% of program outlays and $10 million of all program or activity payments made during the fiscal year reported or (2) $100 million (regardless of the improper payment percentage of total program outlays).

The following link contains additional information on improper payments reported across the Federal government, including information reported by the FCC in prior fiscal years: https://paymentaccuracy.gov/.

The Commission has seventeen components with funding disbursements that are under the direction of the Commission and its Administrators. The Commission categorizes the components as listed below.

- Universal Service Fund High Cost Program (USF-HC)
- Universal Service Fund Schools and Libraries Program (USF-S&L) or (E-Rate)
- Universal Service Fund Lifeline Program (USF-Lifeline) or (USF-LL)
- Universal Service Fund Rural Health Care Program (USF-RHC)
- Universal Service Fund Administrative Costs (USF-Admin)
- Connected Care Pilot Program
- Interstate Telecommunications Relay Services Fund (TRS)
- North American Numbering Plan (NANP)
- FCC Operating Expenses (FCC)
- TV Broadcaster Relocation Fund (TVBRF)
- Coronavirus Disease 2019 (COVID-19) Telehealth Program (CV19)
- Affordable Connectivity Program (ACP)
- Broadband Deployment Locations Map
- Broadband Mapping
- Emergency Connectivity Fund (ECF)
- Secured & Trusted Communications Network Reimbursement Program (STCNRP)
- Affordable Connectivity Program Outreach Grants

I. Improper Payment Details

Program	Estimated Improper Payment Rate %	Estimated Improper Payment Amount $M	Improper Payment Reasons	Major Corrective Actions Summary
USF HC	0.02%	$0.40	Support Not Used for Intended Purposes	The High Cost Program team will continue to focus on Program Integrity Assurance (PIA) activities such as annual trend analyses and data validations for legacy funds, collaborating with our Audit and Assurance Division partners to provide the annual Circle of Life webinars addressing Common Audit Findings and meeting with NECA monthly. The High Cost Program team will introduce a new compliance layer by developing additional PIA procedures leveraging enhanced analytics and testing capabilities on a sample basis to identify potential violations.
	1.02%	$18.75	Inadequate Documentation - Assets	
	1.30%	$23.85	Incorrect Depreciation Method	
	0.01%	$0.16	Inaccurate Loop Count	
	0.01%	$0.12	Inaccurate SLC Revenue	
	2.10%	$38.44	Lack of Documentation (Assets and Assets & GL)	
	0.00%	$0.03	Improper Part 36 Reporting	
TOTAL	**4.46%**	**$81.75**		

Program	Estimated Improper Payment Rate %	Estimated Improper Payment Amount $M	Improper Payment Reasons	Major Corrective Actions Summary
USF S&L	0.35%	$8.55	Invoicing Error	The Schools and Libraries Program team continues to use predictive data analytics to identify potential competitive bidding violations and leverages the results to flag applications for competitive bidding reviews prior to committing funding for the applications. In addition, the Schools and Libraries Program team continues to improve its competitive bidding and invoicing training and enhance compliance with FCC rules through additional content added its website, training, and other E-Rate program materials. The Schools and Libraries Program team also continues to expand invoicing pre-payment reviews, including collecting service certifications confirming that internal connections are installed and operating by the required deadlines.
	0.00%	$0.02	Goods/Services Received by Ineligible Non-Traditional Entities	
	0.09%	$2.14	Incomplete Documentation	
	0.43%	$10.60	Competitive Bidding/Invalid Contract	
	0.39%	$9.59	Internal Connections/Not Installed	
	0.01%	$0.20	Service Provider (SP) Lowest Corresponding Price (LCP) Confirmation/No Certification BEAR	
TOTAL	**1.27%**	**$31.11**		

Program	Estimated Improper Payment Rate %	Estimated Improper Payment Amount $M	Improper Payment Reasons	Major Corrective Actions Summary
USF LL	0.01%	$0.04	Certification - Inadequate Documentation	The Lifeline Program team will continue to review the root cause of the errors identified in the assessments and perform updates to training and materials related to the review of eligibility documentation and provide individual coaching for reviewers. Since the PQA review period, USAC has increased QA volumes to achieve a statistically valid, random sample for each eligibility program (Medicaid, SNAP, etc.) each month. This allows USAC to see trends by eligibility program and target training/coaching more effectively. USAC also just implemented a mandatory, semi-annual training for all manual review agents as a refresher training with focus on any concerning trends coming out of QA analysis.
	0.00%	$0.00	Duplicate Subscribers	
	5.89%	$46.18	Eligibility (Documentation Not Provided & Inadequate Documentation)	
	0.01%	$0.10	One Per Household	
	0.00%	$0.01	Recertification	
	0.07%	$0.57	Usage	
TOTAL	**5.98%**	**$46.90**		

II. Actions Taken to Address Auditor Recovery Recommendations

<u>USF-HC</u>

The following are brief descriptions of the FCC and USAC's key efforts to prevent and reduce improper payments in the USF High Cost Program:

Improper Payment Testing Procedures: The FCC and USAC continue to work together to determine what procedures can be added or enhanced to ensure improper payment testing procedures adequately assess the risk associated with the USF High Cost Program. To assist in this initiative, USAC management continues to utilize the testing results from its Beneficiary and Contributor Audit Program (BCAP) audits to identify high-risk areas in the program. The resulting improper payment procedures have a deeper focus on these high-risk areas and complement USAC's other program integrity efforts.

Program Integrity Efforts: As part of its Program Integrity Efforts, USAC's High Cost Program team has taken the following program integrity corrective actions:

- Implemented an annual Connect American Fund (CAF) Broadband Loop Support (BLS) trend analysis. USAC's High Cost Program is conducting annual data validation (referred to as Trend Analysis) for CAF BLS, comparing projected and actual cost study data that determines carriers' support for this fund. High Cost contacts carriers that are outside the established threshold, requesting additional information and variance explanation. Per Grant Thornton request, High Cost refers carriers that lack supporting documentation or acceptable explanation to AAD to consider for high-risk targeted audit.
- Implemented a process to recalculate High Cost Loop (HCL) support and CAF Intercarrier Compensation (ICC) support. USAC's High Cost Program is conducting annual data validation (referred to as Trend Analysis) of Part 36 data for HCL support, including manual calculation of support and outreach to carriers, as well as NECA to explain and substantiate variances and significant changes in year over year data summations. Please note that USAC neither calculates nor collects the cost study data (Part 36 data) required for HCL support calculation. NECA is tasked for collection of data and calculation of HCL fund based on FCC rules and requirements, refer to 54.1305, 54.1306, and 54.1307.
- USAC's High Cost Program reviews the annual TRP (Tariff Review Plan) data for CAF ICC carriers and validates data and support amounts with the FCC prior to issuing support. Additionally, the High Cost Program conducts a.) manual calculation of support of a sample of carriers to ensure accuracy of support calculations, b.) annual trend analysis and projection vs actual true up calculations that are reported by carriers. High Cost then reaches out to outliers to explain variance and provide any supporting documentation. High risk cases and/or non-responsive carriers are referred to USAC's Audit Assurance Division (AAD) for further investigation.
- In partnership with USAC's AAD, High Cost will continue to hold annual Circle of Life webinars to remind and educate carriers. The webinar provides common errors and best practices suggested to avoid this finding. Recorded webinars are uploaded to the USAC website.
- USAC's High Cost Program is in the process of enhancing PIA procedures with improved analytics and plans for testing of some of the common audit findings on a sample basis in the future.

Improper Payment Analysis: USAC management continues to perform a deep-dive analysis of its improper payments to more thoroughly understand their root cause and to identify corrective actions that address the root cause. Through this analysis, USAC management has institutionalized corrective actions as part of its program integrity efforts to reduce future instances of improper payments.

USF-S&L

The following are brief descriptions of the FCC's and USAC's key efforts to prevent and reduce improper payments in the USF Schools and Libraries Program:

Competitive Bidding/Invalid Contract: The USAC Schools and Libraries Program team continues to use predictive data analytics to identify potential competitive bidding violations and flag applications for additional reviews prior to committing funding for the applications. The team also leverages the results from data analytics reports to improve competitive bidding training and enhance compliance with the FCC rules by adding content to USAC's website, training, and other E-Rate program materials. Additionally, the team has targeted its enhanced competitive bidding training for applicants and service providers to specifically address those aspects of competitive bidding that result in recurring audit findings.

Invoicing Error/Internal Connections Not Installed: The USAC Schools and Libraries Program team also implemented E-Rate Productivity Center (EPC) invoicing system updates to improve the security and authentication of invoice filers. Some invoice validations, such as pre-population of E-Rate program discount rate, percentages were also deployed. USAC's Schools and Libraries team leveraged open data sets and coding capabilities to improve the efficiency of eligibility validations. In addition, the team implemented the "Pre-Payment Review", which reviews the payment data on a sample basis prior to the payment file distribution and enhanced invoice selection criteria to identify and proactively prevent potential improper payments. The reviews of sample invoices are based on a combination of random and targeted factors based on audit issues identified in the past. The Schools and Libraries team has flagged more invoices for service certifications to confirm services and equipment have been received and that equipment has been installed. Lastly, the School and Libraries Program team has improved compliance through targeted internal and external E-Rate invoicing training, with an emphasis on common audit findings and high-risk areas within the invoicing process.

The following efforts are not related to a specific finding. Rather, they were developed to address all non-compliance issues:

Program Integrity: The USAC Schools and Libraries Program team continues to employ heightened scrutiny reviews (HSR) to identify and perform additional review for applications that may be at risk for non-compliance. On an annual basis, the Schools and Libraries Program team leverages predictive data analytics after the annual E-Rate FCC Form 471 application filing window closes to flag applications for additional review prior to issuing funding commitments. USAC data analytics team is continuing to work on other predictive data analytics reports based on the audit findings and program risk factors to flag additional FCC Form 471 applications for review prior to committing funding.

Outreach: USAC enhanced its outreach approach, customizing its guidance for E-Rate program participants based on their Payment Quality Assurance (PQA) exceptions. Outreach includes updates to the website training materials, and conducting webinar(s) focused on and communicating best practices based on the observations made during the prior year's PQA reviews. USAC provides annual in-person training sessions, live webinars, and has implemented an Online Training Library to provide Schools and Libraries program participants with training and other tools that they can virtually access at their convenience.

Improper Payment Analysis:
USAC management continues to perform a deep-dive analysis of any improper payments to thoroughly understand their root cause and to identify corrective actions that directly address the root cause. Through this analysis, USAC management has incorporated corrective actions into its program integrity efforts to reduce future instances of improper payments which have been successful in reducing the improper payment rate for the Schools and Libraries Program.

USF-LL

The following are brief descriptions of the FCC and Universal Service Administrative Company's (USAC) key efforts to prevent and reduce improper payments in the USF Lifeline program:

Eligibility – Inadequate Documentation: To further refine the verification process, USAC continues to work with states and territories to implement additional automated connections to eligibility databases. Where a consumer's eligibility cannot be confirmed automatically, USAC manually reviews appropriate documentation to confirm that a consumer is eligible to participate in the Lifeline program and is not receiving duplicative support. USAC and its manual review vendor have a robust Quality Assurance process and continuously update training materials and resources for manual reviews. The Lifeline

Program will continue to review the root cause of the errors identified in the assessments and perform updates to training and materials related to the review of eligibility documentation and provide individual coaching for reviewers.

Eligibility – Documentation Not Provided: This issue is related to a one-time loss of archived documentation caused by a technical issue in 2023. However, there is no indication that any documentation was missing at the time of review or that any errors occurred in the review that would have resulted in improper payments. Subsequent mitigation measures, such as increased automation/performance testing, monitoring system checks, and enhanced Service Now backup retention, have been put in place.

The following efforts are not related to a specific finding. They were developed to address all non-compliance issues:

Program Integrity Assurance Reviews: USAC's Lifeline Program Integrity team conducts detailed analyses of Lifeline subscribership data to identify potential instances of non-compliance or fraud. Such analyses are rooted in trend reviews, ongoing examination of risk-focused data reports, continuous assessment of real-time provider activity and data, stakeholder referrals (FCC, whistleblowers, etc.), and other means. Based on these analyses, the Lifeline Program Integrity team perform targeted and random program integrity reviews of high-risk areas; these occur on recurring quarterly schedules with focus on specific risk areas, on *ad hoc* schedules when warranted by suspicion or evidence of non-compliance, and on a targeted basis when established risk-based data reports reflect the need. The results of these reviews are used to address compliance gaps, enhance preventive controls with the goal of reducing improper payments, and recover improper payments where identified.

Improper Payment Analysis:
Under the oversight of the FCC, USAC management continues to perform a deep-dive analysis of its improper payments to more thoroughly understand their root cause and to identify corrective actions that address the root cause. Through this analysis, USAC management has institutionalized corrective actions as part of its program integrity efforts to reduce future instances of improper payments.

Improper Payment Testing Procedures: The FCC and USAC will continue to work together to determine what procedures can be added or enhanced to better ensure that improper payment testing procedures adequately assess the risk associated with the USF Lifeline program. To assist with this initiative, USAC has engaged external auditors who are testing the compliance of multiple service providers with the Lifeline program's non-usage rules. The methodology used in such targeted audits will be used by USAC's audit department to test other service providers in the future.

Civil Monetary Penalty Adjustment for Inflation

On November 2, 2015, the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 ("the 2015 Act"), which was included as Section 701 of the Bipartisan Budget Act of 2015, was signed into law. The 2015 Act amended the Federal Civil Penalties Inflation Adjustment Act of 1990 to improve the effectiveness of civil monetary penalties and to maintain their deterrent effect.

The 2015 Act required agencies use an interim final rulemaking (IFR) to adjust the level of civil monetary penalties in 2016 with an initial "catch-up" adjustment. The 2015 Act also requires agencies to continue to make annual inflation adjustments in future years by January 15 each year, and to report on these adjustments annually.

On December 19, 2023, OMB provided its annual inflation adjustment update to agencies through OMB Memorandum M-24-07, *Implementation of Penalty Inflation Adjustments for 2024*. On December 22, 2023, the FCC's Enforcement Bureau adopted and released an order, DA-23-1198A1, which adjusted the Commission's forfeiture penalties for inflation for 2024.

For 2024, the adjusted penalty or penalty range for each applicable penalty is calculated by multiplying the most recent penalty amount by the 2024 annual adjustment (1.03241), then rounding the result to the nearest dollar. The 2024 annual adjustment is based on the percent change between each published October's CPI-U; in this case, October 2023 CPI-U (307.671)/October 2022 CPI-U (298.012) = 1.03241.

On January 12, 2024, the Government Printing Office (GPO) published a summary of the FCC order in the Federal Register: FR Document 2024-00416 Citation 89 FR 2151 pages 2148-2151 (https://www.federalregister.gov/documents/2024/01/12/2024-00624/annual-adjustment-of-civil-monetary-penalties-to-reflect-inflation).

Management's Response to OIG's Management and Performance Challenges

Federal Communications Commission
Office of the Managing Director
Washington, D.C. 20554

To: Fara Damelin, Inspector General, FCC

From: Mark Stephens, Managing Director, FCC

Date: October 29, 2024

Subject: Inspector General's Top Management and Performance Challenges for FY 2025 for the Federal Communications Commission

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Thank you for the opportunity to respond to review and respond to the Inspector General's (OIG) Top Management and Performance Challenges for Fiscal Year (FY) 2025 (Management Challenges Report) for the Federal Communications Commission (FCC or Commission). The Commission appreciates the efforts of your team to provide this analysis each year.

The FCC takes protecting the integrity of the funds in its programs very seriously, and has taken affirmative steps to reduce the risk of waste, fraud, and abuse, including responding to OIG's recommendations. At the outset, the Commission would like to note a few updates since the OIG completed their review of FCC activities through September 30, 2024. First, the FCC is very pleased to announce that the improper payment error rate for the E-Rate program for FY 2024 dropped from 1.59% to 1.27%. As this error rate is below the statutorily defined improper payment threshold of 1.5%, the E-Rate program is no longer considered to be susceptible to a significant risk of improper payments. This reduction is a major accomplishment the FCC has worked diligently on over the course of several years to improve program controls in the E-Rate program. The Commission continues to evaluate other improvements it can make to continue to strengthen its controls to prevent, detect, and respond to improper payments in all of its programs.

In addition, the Management Challenges Report includes 35 open OIG recommendations that were open as of September 30, 2024; the FCC has submitted documentation to support the closure of eight or 22.8% of the listed recommendations since September 30. The Commission looks forward to working with OIG to ensure that these recommendations are closed as soon as possible.

Furthermore, the Management Challenges Report includes twelve open recommendations from the Government Accountability Office (GAO) as of September 30, 2024; the FCC has submitted documentation to close three or 25% of the listed recommendations. The GAO has also agreed to close two of those open GAO recommendations.

The FCC looks forward to working with OIG to close any additional open recommendations that it can as soon as possible and to address the challenges identified in your report.

Sincerely,

MARK STEPHENS
Digitally signed by MARK STEPHENS
Date: 2024.10.29 17:27:10 -04'00'

Mark Stephens
Managing Director

Office of Inspector General's Management and Performance Challenges

Inspector General's report on FCC's Management and Performance Challenges follows immediately after this page and also can be found at https://www.fcc.gov/inspector-general/reports/challenges.

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF INSPECTOR GENERAL

FCC'S TOP MANAGEMENT AND PERFORMANCE CHALLENGES FOR FY 2025

Table of Contents

Introduction

The Reports Consolidation Act of 2000 requires the Federal Communications Commission (FCC or Commission), Office of Inspector General (OIG), to issue a report annually summarizing our independent assessment of the most serious management and performance challenges facing the Commission. In turn, the FCC is required to include this report with its annual agency financial report.

We identified the five top management and performance challenges listed on the right.

While the FCC has made significant progress in each of these areas, opportunities exist for further advancements. Our goal is that this report fully informs our stakeholders and serves as a constructive roadmap to the FCC on strategies for addressing its key challenges and carrying out the critically important mission highlighted in its strategic plan: "Ensuring that every person in every community, of every geography and income, has access to modern telecommunications service."

We begin our report below by describing OIG's methodology for identifying and gathering information regarding the FCC's top management and performance challenges. Next, we discuss new and emerging issues that may impact how the FCC addresses these complex challenges. Throughout the report we use hyperlinks for easy access to referenced reports and resources on trusted government websites, and also provide the full titles and report numbers in call-out boxes for future use in finding cited materials.

Lastly, for each of the five challenges, we describe:

1. The elements of the challenge,
2. The connection to the FCC's Strategic Plan,
3. Relevant OIG and U.S. Government Accountability Office (GAO) reports and ongoing work, and
4. The FCC's progress in addressing related recommendations.

We thank all who contributed to developing this report and look forward to continuing to work with the FCC, Congress, Universal Service Administrative Company (USAC), and all of our partners and stakeholders to strengthen and protect the FCC's programs and deliver meaningful and impactful oversight in service to the American public.

OIG's Methodology

OIG takes its statutory responsibility to issue an annual report of the FCC's top management challenges seriously. We solicited, collected, reviewed, and analyzed information and data from a variety of stakeholders to ensure an objective and representative perspective.

We began by reviewing last year's FCC OIG Top Management and Performance Challenges Report and related progress made by the FCC, including actions taken to resolve open recommendations. Adopting a streamlined approach , we categorized the challenges into overarching themes that integrate common issues faced by the FCC, many of which are governmentwide challenges.

We reviewed FCC's 2022-2026 Strategic Plan, FCC's FY 23 Annual Performance Report, and recent Congressional testimony to ensure that this report incorporates the priorities and progress identified by the FCC, and each challenge aligns with the FCC's strategic goals and objectives. We considered new oversight work, findings, and recommendations from the FCC OIG, GAO, the Council of Inspectors General on Integrity and Efficiency (CIGIE), and the Pandemic Response Accountability Committee (PRAC). We leveraged the work of the IG community by using observations from CIGIE's Top Management Challenges Report and PRAC's Top Management Challenges Report.

We conducted outreach to the FCC's Chair and Commissioners, Bureau and Office Chiefs, program officials, and oversight partners such as GAO, to fully leverage their knowledge, experiences, and expertise. We used this feedback to inform our decisions as we developed our final list of top management challenges. Further, we sought and incorporated stakeholder perspectives on progress made by the FCC in addressing challenges and the obstacles that the Commission continues to face.

New and Emerging Issues

Current events and circumstances necessarily impact how FCC leadership and Congressional stakeholders address the critical and complex issues before them. Below, we identify recent judicial cases that may impact how the FCC performs its mission. We also highlight potential opportunities for Congress to resolve certain issues through legislative reform.

Navigating the Current Judicial Landscape

The FCC enters FY 2025 facing several judicial decisions that present immediate operational, enforcement, and resource challenges. Some have governmentwide implications, and others uniquely impact the FCC, presenting existential questions about the FCC's mechanism for providing universal service to the American public. The FCC may need to direct its limited resources to these high priority matters, leaving it less able to address some of the other challenges identified in this report. Finally, some of these decisions may limit the FCC's ability to effectively enforce its program requirements and limit its ability to hold accountable those who defraud its programs by potentially eliminating anti-fraud tools currently used to deter and combat waste, fraud, and abuse.

The summaries below highlight these core cases:

Loper Bright Enterprises v. Raimondo, No. 22-4751, 2024 WL 3208360 (U.S. June 28, 2024)

In *Loper Bright*, the Court held the Administrative Procedure Act requires courts to exercise their independent judgment to decide whether an agency has acted within its statutory authority, and courts may not defer to an agency interpretation of the law simply because the statute is ambiguous or leaves a gap. In this decision, the Supreme Court reversed *Chevron, U.S.A. v. Nat. Res. Def. Council, Inc.*, 467 U.S. 837, 843 (1984) – a longstanding and often cited doctrine holding that if federal legislation is ambiguous or silent, courts must defer to the regulatory agency's interpretation if the interpretation is reasonable. While *Loper Bright* does not affect agency action based on clear statutory authority, including when Congress clearly confers discretionary authority to an agency, it would impact rulemaking related to legislation that lacks clear direction.

SEC v. Jarkesy, No. 22-859, 2024 WL 3187811 (U.S. June 27, 2024)

In *Jarkesy,* the Supreme Court held that when the Securities and Exchange Commission (SEC) seeks civil monetary penalties against a defendant for securities fraud, the Seventh Amendment entitles the defendant to a jury trial. While the FCC enforcement scheme differs from the SEC enforcement scheme, this decision introduces some uncertainty about the FCC's current enforcement practice as enforcement actions that seek civil penalties may potentially implicate the Seventh Amendment. Moreover, only the Department of Justice has the authority to initiate judicial enforcement actions for the Commission. Together, this poses potential obstacles to the FCC's statutory obligation to enforce the Communications Act and Commission rules.

Consumers' Research V. FCC, 109 F.4th 743 (5th Cir. 2024)

In *Consumers' Research v. FCC*, the U.S. Court of Appeals for the Fifth Circuit held that the current funding mechanism for the Universal Service Fund (USF) is unconstitutional. Specifically, the Fifth Circuit, in the context of reviewing the first quarter of 2022's contribution factor, ruled that USF contributions are a tax and that 1) Congress may have improperly delegated authority to tax to the FCC; and 2) the FCC may have impermissibly delegated taxing power to the Universal Service Administrative Company (USAC). The Fifth Circuit ruled the combination of Congress's broad delegation, and the FCC's further delegation, violates Article 1, Section 1 of the U.S. Constitution, the Legislative Vesting Clause. The decision also creates a circuit split as the Sixth and Eleventh Circuits previously rejected constitutional challenges to the USF. The FCC describes universal service as, "one of the core mandates," of the Communications Act, and this decision challenges the core of the Commission's mechanism — USF contributions — for accomplishing that mandate. The FCC filed a petition for certiorari on September 30, 2024. It is a challenge for the FCC to plan for all potential outcomes of this litigation.

U.S. ex rel. Todd Heath v. Wisconsin Bell, Inc., No. 22-1515 (7th Cir. 2024).

In this 2008 lawsuit under the Civil False Claims Act (FCA), a whistleblower alleged that Wisconsin Bell charged schools and libraries more than allowed under FCC's USF E-rate program, which is funded by contributions from telecommunications companies. Wisconsin Bell argued that the case should be dismissed because the False Claims Act does not apply to claims for E-Rate funds. The Seventh Circuit held that E-Rate funds are federal funds subject to the False Claims Act. The Seventh Circuit's decision created a circuit split, as in 2014, the Fifth Circuit held that the FCA does not apply to E-Rate claims. *United States ex rel. Shupe v. Cisco Systems Inc.*, 759 F.3d 379 (2014). On November 4, 2024, the Supreme Court will hear arguments in this matter. The question before the Court is whether reimbursement requests submitted to the E-rate program are claims under the FCA.

Congressional Opportunities to Help the FCC Address its Priorities and Challenges

Over the past several years, there have been multiple studies conducted, reports issued, and hearings held on USF Reform and additional issues facing the FCC's leadership. These have been directed, supported, and informed by the FCC; bipartisan Congressional stakeholders; state, tribal, non-profit organizations, and industry groups whose members are most impacted by the FCC's operations, subsidies, and services.

For its part, Congress may be best suited to address one or more of the above judicial decisions that impact the FCC and the public, by offering legislative clarifications, reforms, and mandates. As noted in other sections of this report, Congress may also want to consider legislation pertaining to the following areas: USF contributions reform; the FCC's auction authority; and the FCC Enforcement Bureau's statute of limitations and ability to independently pursue judicial enforcement actions. Further, Congress may consider more precise legislative authorities for the Commission and USAC to address the Court's ruling in *Loper Bright*.

Finally, to protect the FCC and federal funds at large from fraud, waste, and abuse, Congress can consider the passage of legislation previously recommended by the IG Community related to:

- Enhancing the Program Fraud Civil Remedies Act to better allow agencies to pursue administrative action for false statements and claims, and claw money back from fraudsters;
- Imposing a statutory exclusion from receiving discretionary federal funding for felony convicts who have defrauded federal programs, to avoid preventable repeat offenses; and
- Providing testimonial subpoena authority to OIGs, so that cases can be fully investigated.

Themes Identified in Listening Sessions:

In listening sessions, we heard about the following themes and issues impacting the FCC and stakeholders, which may warrant future attention and oversight:

- Workforce Planning: Succession Planning, Ability to Timely Process Upcoming Retirements, Retention in Certain Job Series, and Recruitment
- Emerging Threat and Opportunity: Artificial Intelligence
- Organizational Issues: Decision-making Processes, Effective Coordination, Communication, and Information Sharing
- Capacity Challenges: Budget and resources, especially around government-wide mandates
- Lapsed Authorities or Insufficient Funding: Auctions, ACP, SCRP
- Operational Challenge: Procurement
- Data: Access, Availability, Collection and Privacy

COMMON RESOURCES CITED THROUGHOUT

- FCC OIG's FY 24 Top Management and Performance Challenges Report, October 13, 2023
- FCC 2022-2026 Strategic Plan, March 29, 2022
- FCC FY 23 Annual Performance Report, March 11, 2024
- FCC Report: Future of the Universal Service Fund, August 15, 2022
- USAC's 2023 Annual Report, March 31, 2024
- CIGIE Top Management Challenges Report, September 2023
- PRAC Update Top Challenges in Pandemic Relief and Response , February 3, 2021
- PRAC Blueprint, Ch. 1: Best Practices for Strengthening Federal Programs, May 2024
- PRAC Blueprint, Ch. 2: Opportunities to Improve Program Integrity, August 2024

OPEN RECOMMENDATIONS

- GAO Open Recommendations for the Federal Communications Commission
- FCC OIG's Open Recommendations for the Federal Communications

1 Ensuring Performance Management and Accountability

Related FCC Strategic Goal 1: Pursue a "100 Percent" Broadband Policy, Objectives 1.1 and 1.4

Elements of the Challenge

- Ensuring USF Subsidy Programs Meet Their Goals
- Effectively Administering Supplemental & Emergency Programs
- Preventing, Reducing, and Recovering Improper Payments

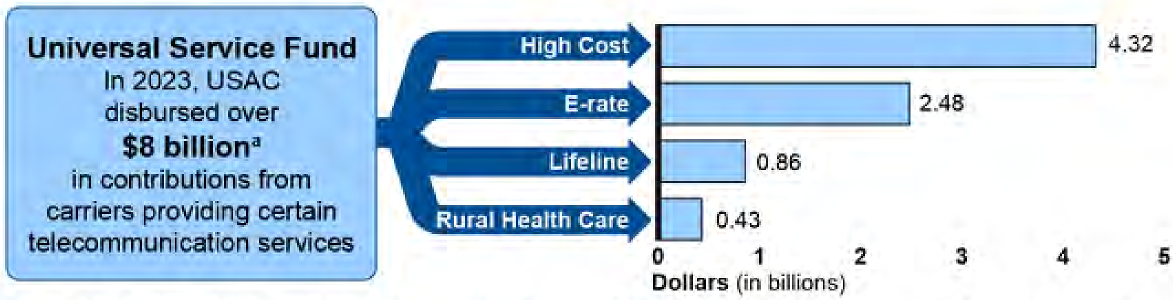
According to GAO, effective organizations set performance goals that clearly define intended program outcomes and establish performance measures that directly link with the performance goals. Ultimately, performance management is meant to instill accountability in federal programs and help ensure agencies are good stewards of federal tax dollars. A robust performance framework can also bring transparency to key questions about whether or to what extent agencies have used program funds in accordance with law and program rules. For example, it may help answer questions about whether programs have delivered goods or services to those eligible to receive them, and whether programs have minimized improper payments, including overpayments, duplicate payments, payments made by mistake, or fraudulent payments.

With the billions of dollars in federal and fee-based funding in universal service and other programs, it is critical that the FCC implement and maintain a robust performance management and accountability framework. As discussed below, the FCC has made progress in addressing FCC OIG and GAO recommendations focused on performance management and reducing improper payments, but there is more work to be done. We encourage the Commission to continue its focus on this challenge, which goes to the core of FCC's program mission.

Ensuring USF Subsidy Programs Meet their Goals

The Telecommunications Act of 1996 created the framework for USF, which in accordance with the FCC's strategic objective 1.2, is intended to facilitate affordable broadband deployment and meaningful access to essential services for all Americans. USF is administered by the Universal Service Administrative Company (USAC), a non-profit corporation, under the direction of the FCC.

Funds Disbursed by USAC for Four Universal Service Programs in Calendar Year 2023



Source: GAO analysis of Universal Service Administrative Company (USAC) information on actual payments from the Universal Service Fund. | GAO-24-106967

USF consists of four programs:

1. High-Cost/Connect America Fund Program: Providing financial support to eligible telecommunications carriers serving rural, insular, and other high cost areas;
2. Schools and Libraries/E-Rate Program: Assisting schools and libraries to obtain telecommunications services, internet access, and internal connections;
3. Lifeline Program: Assisting low-income consumers to obtain affordable telephone and broadband internet service; and
4. Rural Health Care Program: Assisting rural health care providers to gain access to telecommunications and broadband services.

Telecommunications providers are required by law to make contributions to the USF by paying in a percentage of their end-user interstate and international revenues. Based upon this contributions system, USF disbursed over $8 billion in USF programs in 2023.

OIG's and GAO's previous audit work noted areas where the FCC's processes for developing and implementing performance goals related to administering and monitoring USF programs can be improved, including:

- In a GAO Audit of the National Verifier System, GAO recommended that the FCC develop and implement a plan to educate eligible consumers about the Lifeline Program and National Verifier, develop performance measures to track the Verifier's progress in reaching its goals, and ensure that the system's online application is accurate, clear, easy to understand, and includes an option to provide feedback. While the FCC addressed two recommendations and has committed to address them all, four recommendations related to consumer outreach/education, performance management, the manual review process, and website updates remain open and unresolved. The FCC and USAC must continue to monitor whether the National Verifier meets its intended goals to reduce the risk of enrollment of ineligible subscribers and improve the customer application and enrollment experience.
- Likewise, in GAO's Report Related to Performance Management in the High-Cost Program it noted that although the performance goals for the High-Cost program reflect principles in the Telecommunications Act of 1996, not all of the goals are expressed in a measurable or quantifiable manner and therefore do

not align with leading practices. The report also found that the FCC's measures for its performance goals do not always align with leading practices, which call for measures to have linkage with the goal they measure and clarity, objectivity, and measurable targets, among other key attributes. All four recommendations remain open, and as of May 2024, the FCC informed GAO that it was working on a plan to resolve them.

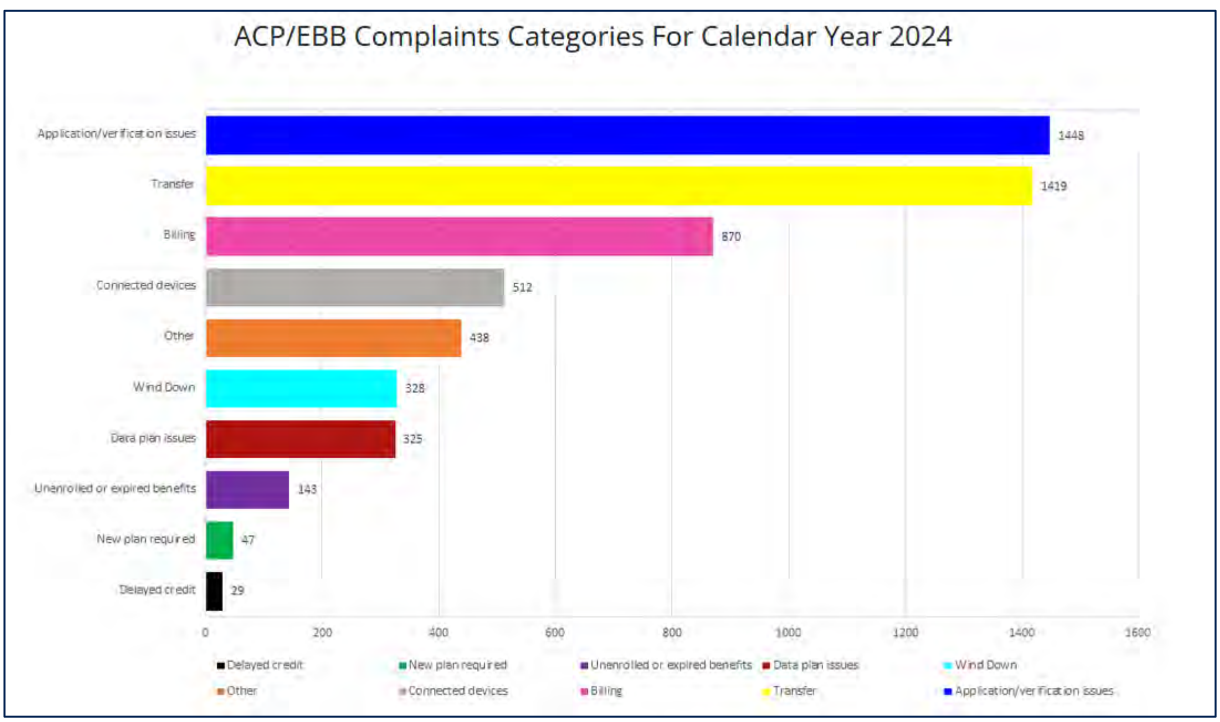
Performance goals and measures permit stakeholders to evaluate a program's success in achieving program objectives. For example, in a prior OIG Audit of the Consumer and Governmental Affairs Bureau Risk Management Strategy for Informal Consumer Complaints, OIG noted the FCC's performance goals for processing informal consumer complaints were not objective, relevant, or sufficiently rigorous. Specifically, performance measures were not reflective of the actual level of effort required for processing informal consumer complaints. The FCC took action to close all three recommendations. Ensuring all of the FCC's programs have performance goals and measures that align with leading practices, and are specific, clear, and measurable, is critical to effectively demonstrating program achievements to Congress and other stakeholders.

Effectively Administering Supplemental & Emergency Programs

Establishing clear, specific, and measurable performance goals is especially important for supplemental programs intended to serve vulnerable populations during emergency circumstances. These are often short-term, high-risk programs implemented and executed at an expedited pace.

Enhancing Transparency in FCC's Consumer Complaints Reporting for ACP

The Infrastructure Investment and Jobs Act ("Infrastructure Act"), 47 U.S.C. § 1752, required the FCC to periodically issue public reports containing consumer complaints involving participating provider compliance with ACP rules. OIG's Performance Audit of the ACP Program found the FCC did not publish any consumer complaint reports from January 2022, through December 2022. Subsequent to the audit scope period, the FCC made progress by developing and posting a complaint dashboard on its website, as depicted below:



There are opportunities to enhance the information on this dashboard to maximize transparency into the program and assist in identifying and addressing problematic trends. For example, between January 1, 2021, and July 8, 2024, the FCC received over 4,700 reported complaints that are listed as "other complaints," and providing examples of concerns contained in that category would be useful. In addition, connecting the complaints received to specific providers would provide important information to consumers regarding customer satisfaction upon which they could base decisions on subscribership. Increased transparency, even if not mandated by law, would allow all stakeholders, to include the Commission and Congress, to timely address challenges identified by the public and better evaluate whether the program is operating as intended.

Ensuring Effective Performance Measures in ACP to Allow for Meaningful Program Evaluation

Two related audits of the $14.2 billion ACP looked at the FCC's performance management and fraud risk management of this program. OIG's Report and GAO's Report both included findings and recommendations to improve the FCC's ability to evaluate the ACP's progress against its performance goals and measures for the program.

The FCC made progress in addressing the two related OIG recommendations by adding objective, measurable, and quantifiable goals for the ACP to its Performance Plan in its Budget Estimates to Congress for FY 2025 and performing an evaluation of the ACP and including the results and additional updates in its FY 2023 Annual Performance Report. In addition, the FCC resolved the GAO-related recommendation by revising its performance measures for the ACP to include specific, numeric targets and timeframes, making their performance metrics more objective, clear, and measurable. GAO determined that based on the FCC's corrective actions, it will be better able to assess and effectively demonstrate the ACP's achievements to Congress and other stakeholders.

Maximizing Outreach to Increase Program Participations by Eligible Participants

The FCC should also apply lessons learned from supplemental and emergency programs to improve programs in the agency's portfolio. For example, last year, we identified Lifeline's low participation rates as a challenge and noted that the FCC and USAC must develop and implement a plan to address the low participation rate for the Lifeline Program. FCC OIG's ACP audit revealed shortcomings in the implementation of the ACP outreach grant program, highlighting the need for a more proactive and targeted approach to reach the full scope of intended households and fully assess the program's impact. The FCC informed OIG the Commission developed a comprehensive outreach, targeting, and paid media plans outlining the FCC's strategy for: (1) engaging government and community-based partners for ACP outreach; (2) a targeted nationwide paid and earned media strategy; (3) prioritized language access for ACP program materials; and (4) layered FCC-led engagement activities to promote community trust in ACP.

GAO's ACP report also identified gaps in the outreach efforts of both the FCC and USAC. A key factor contributing to this issue was the absence of a comprehensive consumer education plan. The FCC made progress in this area, resolving two recommendations from GAO's Report related to developing ACP non-English outreach materials and a consumer outreach plan that aligns with leading practices. Specifically, the FCC took steps to improve its language translation process and create a Consumer Outreach Plan for ACP. According to GAO, the FCC's new plan set goals for ACP outreach based on household enrollment targets, specifically for the overall eligible population and for first-time internet users. GAO found that the plan included metrics for measuring success geared toward program awareness and enrollment, as well as specific metrics for certain portions of the plan (such as paid media and outreach grants). GAO concluded that with the new outreach plan, the FCC would be better positioned to make decisions about which mix of outreach tools will be most effective in helping to meet its goals of raising awareness of and participation in ACP. GAO has closed all of the recommendations from this report.

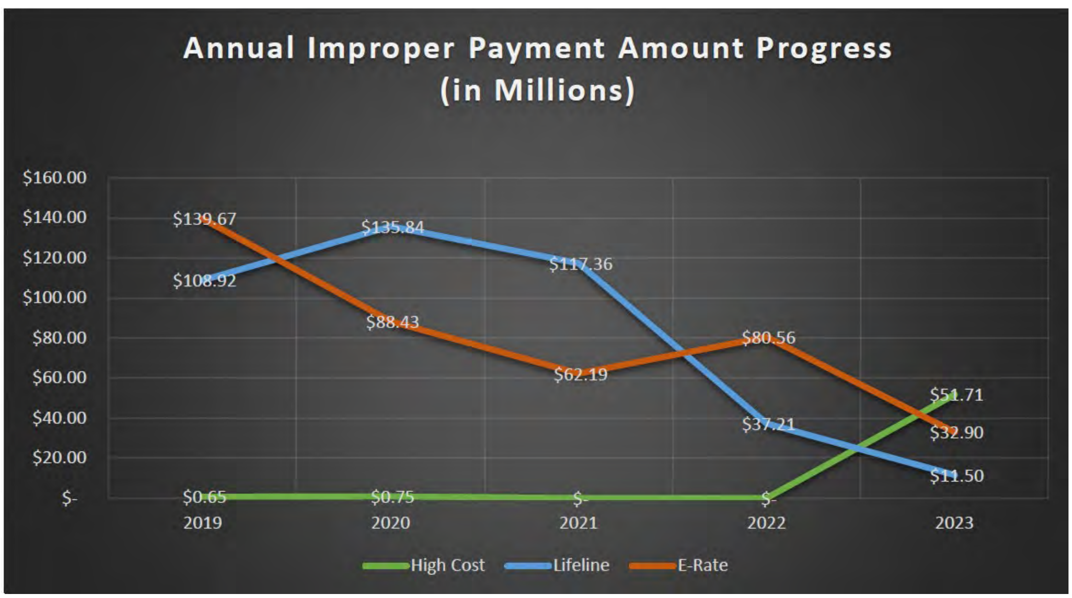
Even though the ACP is no longer in effect, by incorporating lessons learned from the previous outreach efforts, including the importance of early, targeted, and data-driven outreach, the FCC can enhance the effectiveness of existing and future programs and ensure they reach their intended beneficiaries.

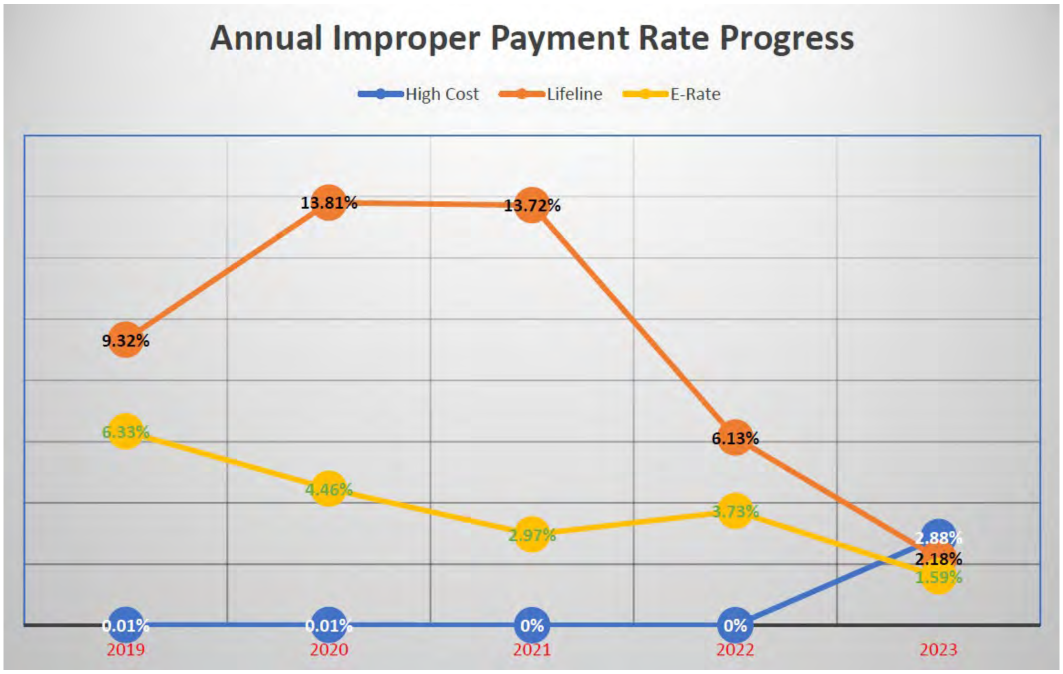
Preventing, Reducing, and Recovering Improper Payments

The Payment Integrity Information Act (PIIA) of 2019 directs federal agencies and departments to undertake activities designed to identify, report, reduce, and recover improper payments (IPs) in the government's programs and activities. The 2023 PIIA Audit Report noted three USF programs (Lifeline, Schools and Libraries, and High-Cost) with IP amounts and rates above the statutory threshold.

Although the FCC made strides in reducing improper payments, as depicted below, it needs to continue making improvements to reduce improper payments below the statutory threshold, and in establishing and meeting the annual tolerable rates for each program.

The charts below provide the Commission's progress on improper payment amounts and rates over the past five years based on data reported on www.paymentaccuracy.gov.





As of September 2024, five recommendations remain open from 2019, 2021, and 2023 OIG PIIA audit reports. We encourage the FCC to continue to work towards addressing these recommendations and strengthening program integrity in each of these programs.

OIG AND GAO HIGHLIGHTED REPORTS

- FCC OIG Report 23-AUD-01-04: Performance Audit of the Affordable Connectivity Program
- FCC OIG Report 24-AUD-01-01: Audit of FCC's FY 2023 Compliance with Payment Integrity Information Act of 2019 Requirements
- FCC OIG Report 18-AUD-12-08: Audit of the Consumer and Governmental Affairs Bureau Risk Management Strategy for Informal Consumer Complaints FY 2017 and FY 2018
- GAO Report 21-24: FCC Should Enhance Performance Goals and Measures for Its Program to Support Broadband Service in High-Cost Areas
- GAO Report 23-105399: FCC Could Improve Performance Goals and Measures, Consumer Outreach, and Fraud Risk Management
- GAO Report 21-235: FCC Has Implemented the Lifeline National Verifier but Should Improve Consumer Awareness and Experience

2 Leading Governmentwide Broadband Coordination Efforts

Related FCC Strategic Goal 1: Pursue a "100 Percent" Policy
Related FCC Strategic Goal 6: Foster Operational Excellence

Elements of the Challenge

- Maintaining and Enhancing Broadband Maps for Governmentwide Data-Informed Funding Decisions and Oversight
- Effectively Leading and Coordinating Efforts to Manage Spectrum

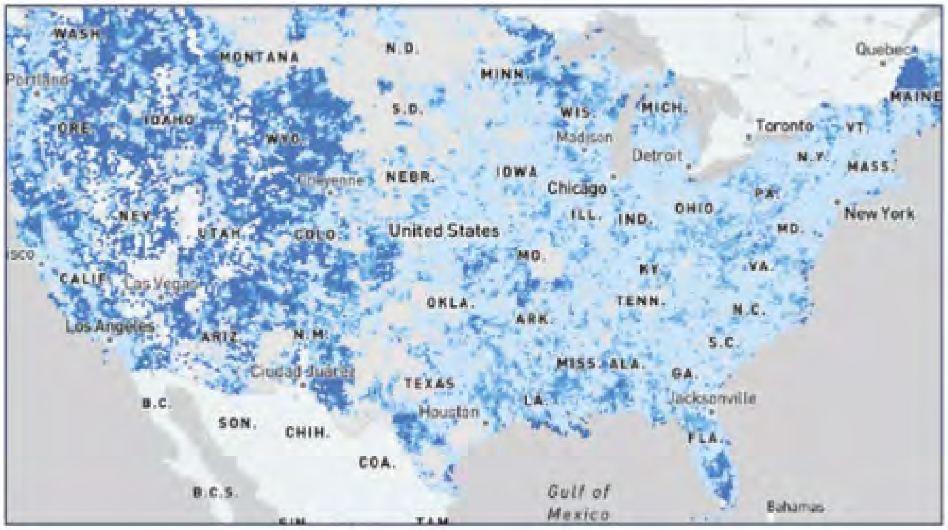
Expanding broadband coverage to 100% of the United States is a national priority to which the federal government has invested billions of dollars in taxpayer funds. Everyone in the United States needs to be connected to broadband service for their everyday needs, work, education, healthcare, and for emergency circumstances – pandemics, terrorist attacks, natural disasters – all of which have unfortunately impacted us over the past decade. In a recent report, GAO identified more than 133 broadband funding programs administered by 15 agencies and concluded that federal broadband efforts are fragmented and overlapping. GAO determined that without a national strategy with clear roles, goals, objectives, and performance measures, federal broadband efforts continue to risk overlap and duplication of efforts, and that lack of coordination leads to agency disputes and inability to reach agreements.

The FCC has direct statutory authority for broadband mapping, and to regulate the non-Federal use of spectrum, respectively. The FCC has been tasked with leading complex broadband projects including mapping multiple streams of broadband data and funding data, and ensuring the most effective use of spectrum to meet the telecommunications needs of our country. These important projects often require the Commission to coordinate among multiple stakeholders. Coordinating and leading various groups of stakeholders is a challenge for the FCC as many of the stakeholders have separate leadership teams, missions, and objectives.

Maintaining and Enhancing Broadband Maps for Governmentwide Data-Informed Funding Decisions and Oversight

In March 2020, the Broadband Deployment Accuracy and Technological Availability Act (Broadband DATA Act) was enacted. The Broadband DATA Act required the Commission to, among other things, collect location-specific information about broadband services available in the U.S., share that information via a public-facing map, and implement a public challenges process. Further, in 2021, the Infrastructure Act allocated $42.45 billion for the Broadband Equity, Access, and Deployment (BEAD) program, funding broadband service deployment to underserved locations.

The FCC's National Broadband Map (NBM) was initially launched in November 2022 and provides information about the internet services available to individual locations across the country, along with new maps of mobile coverage, as reported by Internet Service Providers (ISPs) in the FCC's ongoing Broadband Data Collection (BDC). The NBM is used by various government agencies to identify areas that need broadband deployment.



For example, the Infrastructure Act directs NTIA to determine which areas are underserved using the data the Commission collects and compiles into the National Broadband Map pursuant to the Broadband DATA Act.

OIG is currently conducting a performance audit of the FCC's administration of the High-Cost Universal Broadband (HUBB) Portal Data. The FCC and USAC use the data submitted in the HUBB to ensure that participating carriers of the Connect America Fund (CAF) programs are meeting broadband deployment obligations in accordance with FCC rules. HUBB reporting is not currently based on the Broadband Serviceable Location Fabric (Fabric), a dataset of all locations in the United States and its Territories where fixed broadband internet access service is or could be installed. However, the FCC expects carriers to compare the broadband deployment data they certify in the HUBB with the Fabric or availability data in the BDC and to take steps to ensure data alignment.

Beyond the NBM, the Infrastructure Act tasked the FCC with creating a map to be the centralized, authoritative source of information on funding made by the federal government for broadband infrastructure deployment, now located here: FCC Broadband Funding Map. This map provides an important overview of broadband infrastructure deployment projects funded by the federal government throughout the United States. Each federal agency compiles funding project data for its own programs and reports the data for inclusion on the map. The Broadband Funding Map also includes NBM data on the availability of broadband services across the United States.

Federal agencies and Congress rely on the FCC's broadband data and funding maps to identify the unserved and underserved communities most in need of funding for high-speed internet infrastructure investments. Given this responsibility, the FCC is challenged to ensure their accuracy.

Effectively Leading and Coordinating Efforts to Manage Spectrum

GAO has issued several reports related to the significant challenges faced by both the FCC and NTIA for managing spectrum—a finite natural resource which enables wireless communication services critical to the U.S. economy and government. Nearly all usable spectrum has been allocated either by NTIA for federal use, or by the FCC for commercial and nonfederal use.

Because demand for spectrum is increasing to support 5G and new technologies that require more spectrum, there is pressure to identify opportunities to repurpose spectrum. Both agencies face the significant challenge of being able to efficiently and effectively manage spectrum for our nation.

For the past three decades, FCC employed spectrum auctions as a tool to meet national spectrum goals and support beneficial new technologies, while at the same time bringing significant revenue into the government. However, the FCC's authority to conduct new auctions and grant a license or permit expired in March 2023.

In a July 2024 Report, GAO recognized that in 2023, as part of the FCC's broader efforts to improve spectrum efficiency, the FCC established principles for spectrum management, which set expectations for users of nonfederal receivers. Specifically, the FCC's principles established policy and technical considerations for receivers, which include that users should design receivers to reduced unwanted signals from nearby services. However, the report found that in implementing the principles, the FCC has not applied key practices that GAO determined could help better manage the results of improving receiver performance, including identifying goals, strategies, and barriers. GAO made the following three recommendations to the FCC to address its findings: (1) define measurable goals related to implementing the spectrum management principles outlined in the FCC's April 2023 policy statement; (2) identify strategies and resources necessary to achieve these goals; and (3) identify internal and external factors that could affect the FCC achieving its goals, to inform its efforts.

As the FCC continues to address these recommendations towards developing defined measurable goals for implementing spectrum management principles, its role in achieving spectrum efficiency remains a top challenge.

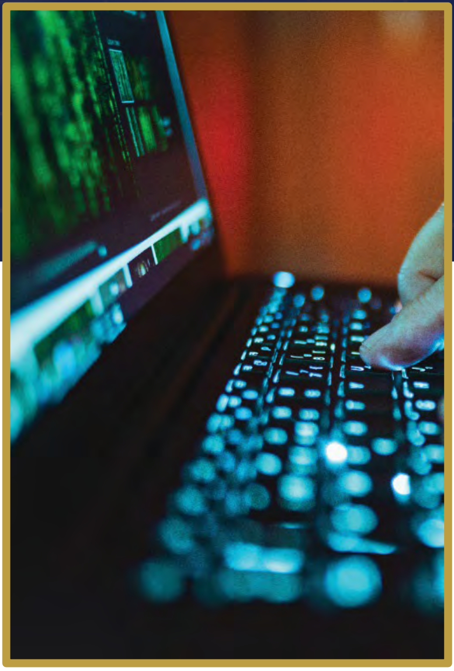
OIG AND GAO HIGHLIGHTED REPORTS

- GAO Report 23-106818: A National Strategy Needed to Coordinate Fragmented, Overlapping Federal Programs
- GAO Report 24-106325: Spectrum Management, Key Practices Could Help Address Challenges to Improving Receiver Performance

3

Managing Fraud Risks and Protecting the Public from Scams and Identity Theft

Related FCC Strategic Goal 3: Empower Consumers
Related FCC Strategic Goal 6: Foster Operational Excellence



Elements of the Challenge

- Preventing and Addressing Fraud in USF and Supplemental Programs
- Prioritizing Fraud Risk Management
- Developing a Strong Suspension and Debarment Program
- Opportunity to Protect FCC Funds Through Mandatory Disclosure Requirements

In a recent report, GAO estimated that the federal government lost between $233 billion and $521 billion annually to fraud between 2018 and 2022, a range representing three to seven percent of average federal obligations. Beyond eroding public trust in government, fraud significantly diminishes each agency's ability to deliver critical programs to the communities they are intended to serve, and results in other serious consequences for our most vulnerable populations, such as children, the elderly, and low income and underserved communities.

Based upon the FCC OIG's investigations, advisories, audits, and proactive reviews, as well as the oversight work of GAO and the IG Community, we have identified fraud risk management and protecting FCC programs and consumers as a top challenge for the FCC. Over the years, our investigative team and data scientists have uncovered and shared gaps and loopholes in the FCC's programs that have allowed fraudsters not only to engage in egregious schemes to divert FCC program funds for personal gain, but also to prey on our most vulnerable populations through identity theft and other scams.

The Commission recognizes the need to prioritize fraud prevention, enforcement, and protecting consumers, as set forth in strategic objectives 3.1 and 6.3 of its strategic plan. In addition, the FCC has been responsive to our related recommendations and has closed many of the gaps we identified. However, there is more work to be done and protecting FCC programs and consumers from fraud continues to be a top management challenge.

Preventing and Addressing Fraud in USF and Supplemental Programs

Our mission is to protect FCC programs from fraud, waste, and abuse. The IG Act provides that we do so through investigations and other reviews to identify, prevent, and deter fraud, as well as through education and outreach to all of our stakeholders.

In our previous statement summarizing FCC's most serious Management and Performance Challenges, we focused on known fraud risks and gaps in FCC subsidy programs. When we find those risks, we share them with the FCC and the public through our Advisories and Outreach, Press Releases, and Semiannual Reports.

Most recently, we shared a press release announcing the $6.5 million dollar settlement to resolve allegations that a High-Cost Subsidy Provider made improper subsidy claims to FCC's High Cost Program. This was initially brought to the government's attention by a whistleblower, the company's former Controller, who filed a lawsuit under the *qui tam* provisions of the False Claims Act, which allows whistleblowers to receive a portion of funds recovered, in this case, over $1.2 million.

We also identified the following fraud schemes and risks associated with several aspects of the FCC's low-income broadband subsidy programs, Lifeline, the COVID-Era Emergency Broadband Benefit (EBB) Program, and the ACP, including:

- CEP School Lunch Enrollment Fraud and Abuse
- Unauthorized and Abusive Transfers
- National Verifier Manual Review Process
- Non-compliant Provider Usage
- Monitoring and De-Enrollment Practices

In response, the Commission and USAC have dedicated significant resources to protecting the integrity of these programs and have taken steps to address non-compliance and ensure effective controls are in place. Although the EBB program expired and the ACP is currently out of funding, these issues continue to exist for the Lifeline program and continue to arise in our ongoing investigations of fraud in these programs, which we will continue to pursue as authorized by applicable statutes of limitations. Moreover, the lessons learned should be applied to all future funding programs, where applicable.

We have also shared the following ideas with the FCC for its consideration:

With respect to the E-Rate Program: Following up on suggestions by an internal USAC risk assessment and a GAO review, OIG recommended a process by which USAC would collect and release competitive bidding documents and standardize bid responses from service providers to assist applicants in reviewing and selecting the most effective bid. The Commission sought comments on this recommendation in 2022 through a notice of proposed rulemaking but has not taken action on this issue. Resolving this issue in a manner that best protects program integrity is a management challenge.

With respect to the Lifeline/EBB/ACP and Controls in FCC's National Verifier: OIG has identified several challenges related to oversight of USF, COVID era, and Infrastructure Act low-income broadband subsidy programs. While the EBB program and the ACP are now expired or out of funds, these lessons are important to address in Lifeline and any potential future renditions of these programs.

Manual Review Process

A significant number of the ACP subscriber applications require manual review to confirm subscriber eligibility. Many Lifeline Subscriber applications also undergo manual review to confirm eligibility. Multiple OIG audits have identified instances where manual review improperly qualified ineligible households to receive program benefits. USAC continues to make significant improvements to the manual review process, by adding the recommended layers and volume of quality control reviews, and by training reviewers. Our work indicates more improvements are needed. For example, late last year, we made additional recommendations to make the application process less vulnerable. The Commission and USAC should remain vigilant against provider and sales agents' attempts to defraud the program by exploiting manual review process vulnerabilities.

Agent Registration

OIG investigations and analyses have consistently shown that enrollment fraud is frequently perpetrated by provider enrollment representatives or agents. USAC implemented the Representative Accountability Database (RAD) to identify and block enrollment representatives who engage in fraudulent or abusive enrollment activity. In order for USAC's system to work, providers must register their enrollments in RAD and accurately report when agents are involved in enrollment transactions. However, OIG analyses since 2021 reveal many Lifeline and ACP providers that employ enrollment representatives fail to register all their enrollment representatives or report their enrollment activity. Since then, we shared with USAC and the Commission, warning letters our office sent to several large ACP providers describing OIG's concern that those providers failed to register their enrollment representatives in RAD even though those providers regularly used enrollment representatives to enroll subscribers.

To address this challenge, FCC and USAC must vigorously enforce requirements that providers furnish enrollment agent identification information for all National Lifeline Accountability Database (NLAD) and National Verifier transactions.

Challenges in Enforcement due to the FCC Enforcement Bureau's One-Year Statute of Limitations for Issuing Notices of Apparent Liability for Forfeitures

The FCC faces a significant challenge in enforcing compliance with USF obligations due to the constraints imposed by the one-year statute of limitations for issuing Notices of Apparent Liability for Forfeiture (NAL). Specifically, Section 503(b)(6) of the Communications Act of 1934, as amended, prohibits the Commission from imposing a forfeiture if the violation charged occurred more than one-year prior to the date of issuance of the required notice or notice of apparent liability. 47 U.S.C. § 503(b)(6). This limitation requires the FCC to quickly discover, investigate, and act on violations, which can result in some cases going unpunished and weaken the program's integrity.

A recent OIG Audit of USAC's Oversight of the USF Contributions Process concluded there were internal control weaknesses in USAC's process for referring service providers to the FCC's Enforcement Bureau (EB) for potential enforcement action. Specifically, during calendar year 2022, USAC did not refer any eligible service providers to the EB, despite instances where eligible service providers did not make their universal service contributions obligation as required by the Telecommunications Act of 1996. The audit identified known uncollected amounts owed to the USF totaling $28,632,140. Since USAC did not make timely referrals to the EB, it created a risk that the Commission would be unable to take necessary enforcement action against noncompliant service providers. The report contained one finding and three recommendations to strengthen internal controls over USF contributions. The recommendations remain open as the FCC seeks to resolve them.

Similarly, OIG's Performance Audit on the Affordable Connectivity Program further highlighted the challenges posed by the one-year statute of limitations. The audit found that four providers were unable to substantiate reimbursement claims or did not respond to audit requests. One of the providers was removed from participation in ACP under another proceeding for its serious and willful misconduct, and USAC conducted separate program integrity reviews of the other three providers as a result of the audit. While the Commission is seeking recovery based on the results of the program integrity reviews, enforcement actions against the remaining providers were not feasible due to the one-year statute of limitations. However, EB has issued NALs and Removal Orders against additional ACP providers that engaged in serious, willful misconduct.

Opportunity to Protect FCC Funds Through Mandatory Disclosure Requirements

In April 2024, the Office of Management and Budget updated its Uniform Guidance for Federal Financial Assistance, incorporating anti-fraud provisions highly recommended by the IG Community, to include a mandatory disclosure provision (2 C.F.R. 200.113). This provides that:

> "An applicant, recipient, or subrecipient of a Federal award must promptly disclose whenever, in connection with the Federal award (including any activities or subawards thereunder), it has credible evidence of the commission of a violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title 18 of the United States Code or a violation of the civil False Claims Act (31 U.S.C. 3729–3733). The disclosure must be made in writing to the Federal agency, the agency's Office of Inspector General, and pass-through entity (if applicable)."

The above language helps promote good stewardship of federal funds and mirrors the longstanding disclosure requirements for contractors under the Federal Acquisition Regulation (FAR) 52.203-13, which has had demonstrated success in protecting federal procurement funds from fraud, waste, and abuse. The FCC and USAC could enhance stewardship of FCC funding and increase deterrence by incorporating this provision in all FCC subsidy programs.

Prioritizing Fraud Risk Management

With unprecedented levels of fraud against pandemic-relief programs, it is now clearer than ever before that fraud risk management — developing and implementing a risk-based strategy to protect federal programs — must be a top priority. The FCC has taken steps to adopt leading practices identified by GAO's Fraud Risk Framework. The FCC has also prioritized protecting consumers from robocalls and texts, as demonstrated by its active partnership with Attorneys General across the country and the significant enforcement efforts it has taken to pursue related matters.

GAO and OIG have issued reports related to fraud risk management in FCC's High-Cost, EBB, and ACP programs, with recommendations adhering to GAO's Fraud Risk Framework. While FCC has made significant progress to address related recommendations, we encourage the FCC to continue to advance its fraud risk management strategy and program. In addition, we believe that the FCC should consider incorporating risks associated with artificial intelligence and other emerging technologies that are being used to carry out more sophisticated fraud schemes.

FCC's Progress in Managing Fraud Risks

- In response to a GAO Report recommending that the FCC enhance fraud risk management in the High-Cost Program, the FCC took action to resolve three recommendations to adopt leading practices from GAO's Fraud Risk Framework, to include creating a dedicated Fraud Risk Group to focus on fraud risk prevention and detection; planning regular fraud risk assessments for the High Cost program; and developing a related fraud risk management strategy.
- In GAO's ACP Report, GAO found that the FCC had not implemented fraud risk management with respect to its ACP program, or its predecessor, the Emergency Broadband Benefits Program. GAO made six recommendations that the FCC adopt leading practices from its Fraud Risk Framework related to processes, strategies, and assessments.

  The FCC resolved all six recommendations, to include developing and implementing policies and procedures that establish responsibilities for fraud risk assessments across FCC and establishing an antifraud strategy that aligns with GAO's Fraud Risk Framework.

Developing a Strong Suspension and Debarment Program

In previous semiannual reports, FCC OIG highlighted the importance of the FCC establishing a robust suspension and debarment program to protect the FCC and other federal agencies from doing business with individuals or entities who have demonstrated they are not good stewards of federal funds.

Currently, the FCC may debar an individual or entity only after a criminal conviction or civil judgment for misconduct related to USF programs. However, conduct that falls short of this high bar may nonetheless pose a significant threat to program integrity. The FCC's limited criteria restrict efforts to protect the USF, the FCC's emergency and supplemental programs, and the entire federal government from individuals and entities who lack present responsibility.

In 2005, OMB issued Guidelines to Agencies on Governmentwide Debarment and Suspension (Non-Procurement), 2 C.F.R. Part 180, which provide model suspension and debarment non-procurement regulations. OMB's guidelines significantly differ from the FCC's current suspension and debarment program, and provide a broader and more comprehensive approach to protecting federal funds, with a centralized government-wide suspension and debarment program coordinated by the Interagency Suspension and Debarment Committee.

In 2020, the Commission issued a "Modernizing Suspension and Debarment Rules" Notice, which proposed to adopt rules consistent with the OMB Guidelines, and to supplement the Guidelines through FCC-specific regulations, including rules addressing those matters for which the Guidelines give each agency discretion. The notice recognized that other federal agencies have adopted most of the OMB Guidelines with limited changes and proposed to do the same. Comments were received in March 2020, but no final action has yet been taken by the Commission.

Government-wide suspension and debarment are critical administrative remedies that protect federal funds from fraud, waste, abuse, and mismanagement. We strongly urge the Commission to promptly adopt stronger and more comprehensive suspension and debarment regulations that align with the model practices set forth by 2 C.F.R. Part 180. This would provide the FCC and its Enforcement Bureau, as well as the FCC OIG, with another effective tool to protect FCC and all federal programs from individuals and entities who are not responsible stewards of federal funds.

OIG AND GAO HIGHLIGHTED REPORTS

- FCC OIG Report 23-AUD-05-01: Audit of USAC's Oversight of the Universal Service Fund Contributions Process
- FCC OIG Report 23-AUD-01-04: Performance Audit of the Affordable Connectivity Program
- GAO Report 20-27: FCC Should Take Additional Action to Manage Fraud Risks in its Program to Support Broadband Service in High-Cost Areas
- GAO Report 23-105399: FCC Could Improve Performance Goals and Measures, Consumer Outreach, and Fraud Risk Management (Related to ACP)

4

Safeguarding National Security and Promoting Public Health and Safety

Related FCC Strategic Goal 4: Enhance Public Safety and National Security

Elements of the Challenge

- Effectively Administering the Supply Chain Reimbursement Program to Protect National Security
- Participating in Governmentwide Efforts to Respond to Natural Disasters
- Implementing Critical Telecommunications Programs to Promote Public Health

FCC has a leading role in pursuing policies and enforcement to ensure the availability of secure, reliable, critical communications infrastructure and services—to guard against external threats, support day-to-day activities, and prepare for emergency situations, including natural disasters, terrorist attacks, and public health crises.

Among its leadership efforts to promote public health, safety, and national security, the FCC has supported and enhanced the nation's 911 and Next Generation 911 system; improved Wireless Emergency Alerts for the public and first responders; promoted telecommunications policies to protect survivors of domestic abuse; and ensured public access to the 988 Suicide and Crisis Lifeline, even in times of outages.

As reflected in its most recent FY 23 performance report, while the FCC has made significant strides in these critical areas, given the serious nature of these high-risk, high-impact responsibilities, we have identified this as a top management challenge.

Effectively Administering the Supply Chain Reimbursement Program to Protect National Security

Protecting the United States against national security threats to the communications networks and supply chains is a critical part of the FCC's purpose. To this end, at the direction of Congress, the FCC established the Supply Chain Reimbursement Program (SCRP) to reimburse providers of advanced communications services with ten million or fewer customers for reasonable expenses incurred in the removal, replacement, and disposal of covered communications equipment and services from their networks deemed to pose security threats to the United States.

To qualify for reimbursements, the covered equipment and services must have been produced or provided by Huawei Technologies Company or ZTE Corporation on or before June 30, 2020. The SCRP was appropriated $1.9 billion, but demand was far greater. The program received applications for approximately $5.6 billion, of which the FCC determined approximately $4.6 billion was reasonable and supported. Managing this funding shortfall and ensuring program requirements are implemented efficiently and effectively are key challenges facing the FCC.

The FCC must ensure the SCRP requirements are implemented efficiently and effectively. The FCC is tasked with: (1) determining whether the costs claimed are in line with what is typically incurred when transitioning from covered communications equipment or services to a replacement, comparing the cost relative to alternative equipment and services; and (2) comparing the capabilities and functions performed by the replacement equipment and services to determine whether they are comparable to the equipment and services removed. Additionally, the statute requires the FCC to conduct audits and field reviews of the program participants for compliance with the program requirements, and the FCC has established a plan to conduct field reviews both during the course of the participants' efforts to remove, replace, and dispose of covered communications equipment and services and after all of this work has been completed. The FCC has completed one field review as of August 2024. The combination of all programmatic and tactical issues facing the program poses significant challenges for the FCC.

Participating in Governmentwide Efforts to Respond to Natural Disasters

Ensuring the federal government can respond to natural disasters effectively and immediately is a serious challenge. Effective emergency response requires agencies to provide clear guidance and to coordinate efforts across myriad programs, often raising questions about jurisdictional boundaries, legal authorities, and funding availability. In a 2021 report (GAO-21-297), GAO found that in the aftermath of Hurricane Maria's network restoration, the FCC took several actions to support telecommunications restoration, including gathering network outage information and creating a task force to support communications restoration in Puerto Rico and the U.S. Virgin Islands. Further, in August 2018, the FCC issued a lessons-learned report pertaining to its disaster response and recovery efforts that included observations from the work done in response to four hurricanes, including Hurricane Maria. However, GAO noted federal guidance from the Department of Homeland Security (DHS) on the FCC's role in disaster response was not clear and found the FCC had not provided a complete and accurate account of its disaster response and the activities of its task force, which could help with preparation for future disasters, and recommended that:

(1) The DHS, in consultation with the FCC, update Emergency Support Function #2 of the National Response Framework to list specific roles and responsibilities for the FCC. The FCC worked with DHS to resolve this recommendation; and,

(2) The FCC enhance the transparency and accountability of FCC's operations by publicly reporting on the actions and findings of its Hurricane Recovery Task Force and determine if any changes in policy are needed to ensure FCC has transparent operations for any future disaster-related task forces. As of August 2024, FCC officials reported that it was working on implementing this recommendation.

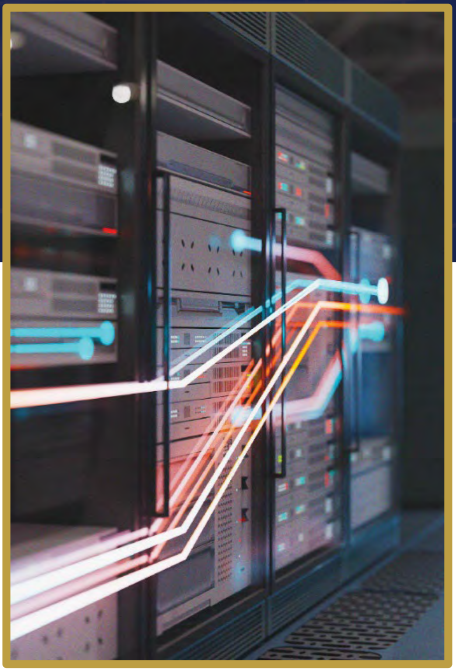
Implementing Critical Telecommunications Programs to Promote Public Health

The FCC's COVID-19 Telehealth program was established to help healthcare providers deliver telehealth services to patients at their homes or mobile locations in response to the COVID-19 pandemic. Since COVID-19 Telehealth funds were issued to respond to the COVID-19 pandemic quickly, there was an increased risk of improper use and disbursement of the $449.95 million appropriated to the program, which sunset in April 2023, coinciding with the end of the COVID-19 pandemic. FCC OIG is conducting an inspection to determine whether the FCC effectively managed and administered the COVID-19 Telehealth Program to ensure that telehealth funding was disbursed and used in accordance with the enabling statute.

5

Modernizing Information Technology and Enhancing Cybersecurity

Related FCC Strategic Goal 6: Foster Operational Excellence
Strategic Objectives 6.2 and 6.3



Elements of the Challenge

- Managing Government-wide Information Security Risks
- IT Modernization/Upgrading Legacy Systems
- Privacy and Data Protection

The modernization of information technology and the need to enhance cybersecurity are significant common challenges across the government. As set forth in the Council of Inspectors General on Integrity and Efficiency's Top Management and Performance Challenges Facing Multiple Federal Agencies, other major federal government-wide hindrances to IT modernization efforts that could also hamper the FCC include IT funding shortages, shifting priorities, and poor IT investment and project management. As discussed below, while the FCC continues to make progress in these areas, it should continue to work towards addressing OIG recommendations to meet this challenge.

Managing Government-wide Information Security Risks

Annually federal agencies undergo an independent OIG assessment of their information security programs, using the Federal Information Security Management Act (FISMA) reporting metrics issued by Office of Management and Budget (OMB) and the Department of Homeland Security (DHS), and Cybersecurity and Infrastructure Agency (CISA). The metrics are used to determine whether the agency's federal information security programs are in compliance with FISMA legislation and other applicable guidance. The Office of Management and Budget (OMB) provided an annual government-wide assessment of cybersecurity in its FISMA Annual Report for FY 2023, which showed an increase in cybersecurity events reported by federal agencies. The report cited improved detection capabilities at the security operations centers, additional automation and training, and changes in event and incident tracking methodologies as a reason for the increased reporting of cybersecurity events. The detection capabilities described in the report are related to the FISMA identity and access management (I&AM) domain. I&AM is at the heart of cybersecurity, including critical practices for authentication, user and privilege user access management and credentialing–which has been an ongoing challenge for FCC.

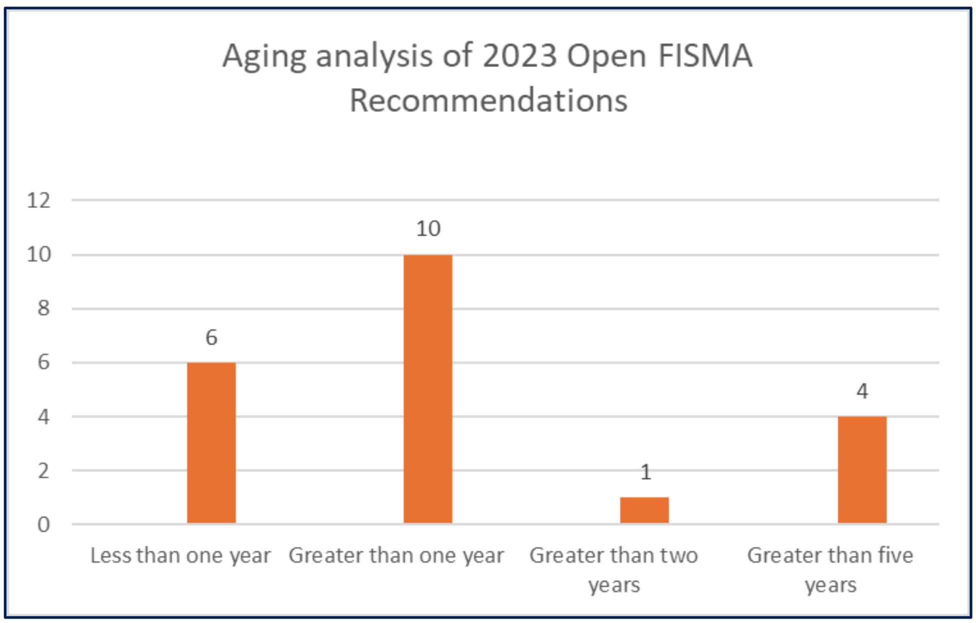
The FCC FY 2023 FISMA evaluation identified marked improvement for USAC in the I&AM domain, for which USAC implemented corrective actions to close three recommendations related to access control log reviews. However, OIG's FY 2023 FISMA report included eight recommendations related to deficiencies in the FCC's I&AM domain related to authentication, phishing, and access and privileged access management. The other cybersecurity domains with the remaining 13 open recommendations include risk management (RM), supply chain risk management (SCRM), configuration management (CM), and information systems continuous monitoring (ISCM).

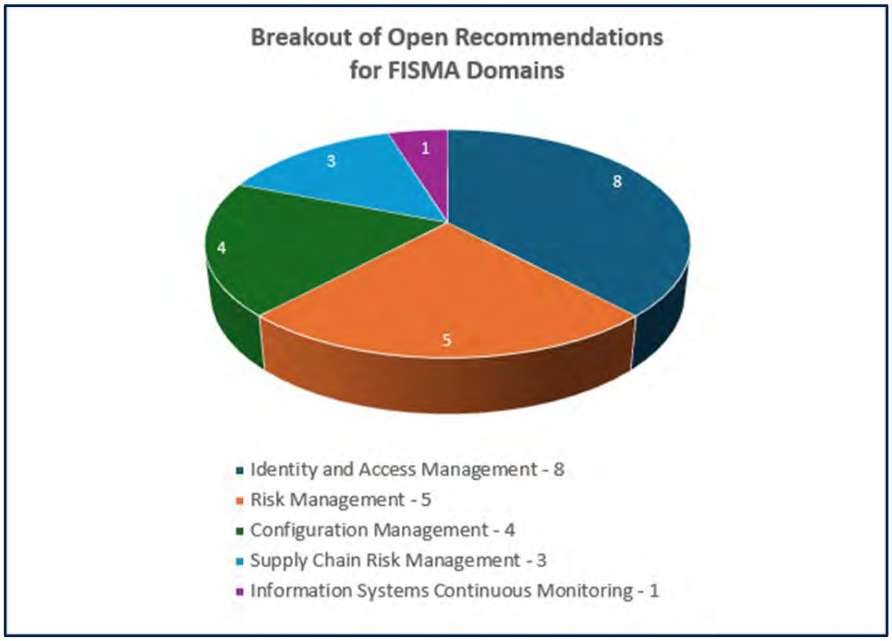
Compliance and effectiveness of the information and cyber security program will continue to be a significant challenge moving forward into FY 2025 and beyond as the Commission works to develop a focused approach to strengthen and sustain controls in all of the areas related to cybersecurity.

The FCC's history of longstanding FISMA recommendations, more than five years old, is consistent with the types of findings noted in the 2023 governmentwide FISMA report. As per the report, patch management, unsupported operating systems or applications and authentication bypass are the three most prevalent findings amongst federal agencies. For the FCC, two of these issues date back to FY 2017 and continue to remain a significant concern. FCC open recommendations more than five years old include a 2016 recommendation related to HSPD-12 authentication (I&AM); a 2017 recommendation related to action plans (risk management); and two 2018 recommendations, one for legacy systems (configuration management), and one for patching (Information Security Continuous Monitoring).

We are now closing out the FY 2024 FISMA evaluation and the overall result for this year mirrors FY 2023. The FCC's information security program was assessed as ineffective and not in compliance with FISMA legislation, OMB memoranda, and other applicable guidance. As a result of testing performed during the FY 2024 FISMA evaluation, we noted that one significant finding related to phishing from the I&AM domain that has been longstanding issue, was closed. This is a significant accomplishment, and the FCC's challenge will be to sustain the effort as the threat landscape for cybersecurity continues to increase and evolve.

See charts below for details of open recommendations aging and open recommendations by FISMA domain:





We continue to encourage the FCC to prioritize OIG recommendations to limit the risk of unauthorized access and to ensure consistent governance and compliance.

IT Modernization/Upgrading Legacy Systems

Since last year, the Commission reduced the number of legacy systems at the FCC from 40 to 27, marking progress in this important area. We note that the Commission's reliance on these systems increase the risk of exposure to security threats as many legacy systems lack patch updates or supported technology and may not be in compliance with changing standards. The FCC's migration of its on-premises systems to cloud computing is an important step towards IT modernization. It should ensure faster delivery of applications and services, scalability, and improved security, all of which will aid in more efficient operations. Implementing these cloud approaches is a huge undertaking, sometimes involving the need for cloud computing architecture, to ensure all of the systems can utilize the new cloud technologies. The FCC remains vulnerable and exposed to security and data breaches and management needs to continue to modernize the IT infrastructure and minimize the use of legacy systems.

As the FCC increasingly moves IT infrastructure and applications to the cloud, adversaries are advancing their capabilities to exploit features unique to cloud systems. Identity-based attacks are taking center stage, as adversaries focus on social engineering attacks that bypass multifactor authentication. The use of legitimate tools to execute an attack is an increasingly prevalent technique and impedes the FCC's ability to differentiate between normal activity and a breach. We are entering an era of a cyber arms race where artificial intelligence (AI) will amplify the impact for both the FCC security organization and the adversary. The FCC cannot afford to fall behind and the legacy technology currently in use is no match for the speed and sophistication of the modern adversary

This challenge and overall compliance and effectiveness of the information and cyber security program will continue to be a significant effort moving into FY 2025, until the Commission develops a focused approach to strengthening and sustaining controls in all the areas discussed above. We encourage the Commission to continue to address open recommendations related to IT modernization.

Privacy and Data Protection

In March 2024, OIG completed an Inspection of the FCC's Privacy and Data Protection Program, to determine whether the FCC implemented effective privacy and data protection policies and procedures in accordance with federal laws, regulations, and policies. The report concluded that the FCC has effectively implemented five of the nine privacy requirements in Title 42 U.S.C. § 2000ee-2 and offered six recommendations to implement technologies and update policies and directives related to privacy, which remain open.

These recommendations pertained to implementing technologies that sustain and do not erode privacy protections relating to the use, collection, and disclosure of information; implementing Endpoint Detection and Response tool for privacy protection; and annually reviewing and updating all privacy policies and directives. By implementing these recommendations, the FCC can mitigate risks to Personally Identifiable Information (PII), thereby limiting the impact of information system breaches and other privacy-related incidents. Additionally, updating FCC policies and directives in line with current federal guidance is important to ensure compliance with updated federal requirements.

OIG encourages the Commission's continued attention to addressing these important recommendations.

OIG AND GAO HIGHLIGHTED REPORTS

- FCC OIG Report 23-EVAL-05-01: FY 23 FISMA Evaluation for the FCC
- FCC OIG Report 21-INSP-10-01: FY 21 Privacy & Data Protection Inspection

Conclusion

Careful attention to these top management and performance challenges will help the Commission achieve its crucial mission of closing the digital divide by bringing affordable, reliable, high-speed broadband to 100% of our country. The FCC must also manage taxpayer dollars responsibly, and effectively carry out its regulatory telecommunications functions to promote public health and safety and safeguard national security.

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