

GAO Highlights

Highlights of [GAO-20-606](#), a report to Chairman of the Committee on the Budget, U.S. Senate

Why GAO Did This Study

In 2017, the FCC's Office of Inspector General (OIG) reported that FCC's ability to deter and detect alleged E-rate program fraud has been severely limited since the program's inception due to a lack of certain controls. Also, as recently as February 2020, a number of E-rate program participants pled guilty to defrauding the program by billing for equipment and services that were not provided, and obtaining more than \$2.6 million in program funds to which they were not entitled.

GAO was asked to review fraud risk management in the E-rate program. This report addresses: (1) the E-rate program's key fraud risks; (2) the extent to which FCC and USAC are managing fraud risks in accordance with leading practices; and (3) the extent to which FCC and USAC face challenges in effectively employing data analytics to support fraud risk management activities. GAO reviewed cases of fraud, OIG reports, and risk assessments, among other things. GAO assessed FCC's and USAC's procedures against leading practices in the Fraud Risk Framework. GAO interviewed FCC and USAC officials responsible for the E-rate program and fraud risk management.

What GAO Recommends

GAO makes three recommendations, including that FCC and USAC comprehensively assess fraud risks to the E-rate program and follow leading practices when designing and implementing data analytics to prevent and detect fraud. FCC agreed with the recommendations and outlined actions to address them.

View [GAO-20-606](#). For more information, contact Seto J. Bagdoyan at (202) 512-6722 or bagdoyans@gao.gov.

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TELECOMMUNICATIONS

FCC Should Take Action to Better Manage Persistent Fraud Risks in the Schools and Libraries Program

What GAO Found

Since 1998, the Federal Communications Commission's (FCC) E-rate program has been a significant source of technology funding for schools and libraries (applicants) to obtain affordable broadband and telecommunications services. Other program participants include service providers and E-rate consultants that assist applicants and service providers with the application and funding processes. GAO identified several key fraud risks affecting the E-rate program, as shown below, including a reliance on self-certification statements. This inherent overarching key fraud risk presents opportunities for participants to misrepresent dozens of self-certification statements on various FCC forms.

Key Fraud Risks in the E-rate Program



Source: GAO analysis of court documents. | GAO-20-606

FCC and the Universal Service Administrative Company (USAC) that administers the E-rate program have not yet implemented plans to comprehensively assess fraud risks, as called for in GAO's Fraud Risk Framework. Leading practices include tailoring fraud risk assessments to the program and examining the suitability of existing controls. FCC and USAC have established time frames for comprehensively assessing the E-rate program's fraud risks by the end of 2021. However, past fraud risk management initiatives have been delayed. Ensuring that such an assessment is completed as scheduled could help ensure FCC and USAC are prioritizing key fraud risks that persist in the E-rate program, and provide greater assurance that control activities are efficiently and effectively addressing the most significant fraud risks.

FCC and USAC face challenges in effectively employing data analytics to support future fraud risk management activities. For example, officials said that they are or will be using data analytics for fraud risk management, but have not implemented leading practices for data-analytics activities nor documented their efforts or plans for doing so. GAO's Fraud Risk Framework calls for agencies to design and implement control activities, including data-analytics activities, to prevent and detect fraud. Having FCC and USAC implement leading practices for data analytics and document how data-analytics activities will be used in antifraud strategies could position the agency to better prevent, detect, and respond to fraud in the E-rate program.