



**OFFICE OF
INSPECTOR GENERAL**
FEDERAL COMMUNICATIONS COMMISSION

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Audit of the Federal Communications Commission's Supply Chain Reimbursement Program

Report Number: 24-AUD-06-02

September 30, 2026



HIGHLIGHTS

Audit of the Federal Communications Commission's Supply Chain Reimbursement Program

BACKGROUND

Pursuant to the Secure and Trusted Communications Networks Act of 2019, Congress directed the Federal Communications Commission (FCC) to establish the Supply Chain Reimbursement Program (SCRP), commonly referred to as the "Rip and Replace Program."

The purpose of this \$4.98 billion program is to reimburse eligible providers of advanced communications services for reasonable expenses actually incurred in the removal, replacement, and disposal (RR&D) of "covered" communications equipment and services from their networks. For purposes of the SCRCP, covered communications equipment and services were those produced by two Chinese companies, Huawei Technologies Company (Huawei) and ZTE Corporation (ZTE), that were deemed to pose an unacceptable national security risk to the United States. FCC approved 86 providers to participate in this program.

OBJECTIVES

FCC OIG conducted this audit in accordance with generally accepted government auditing standards. The key objectives of the audit were to determine whether:

- The SCRCP is effectively designed to comply with requirements of the Secure and Trusted Communications Networks Act of 2019, and
- Implementation of the SCRCP effectively ensures eligible program participants remove, replace, and dispose of the covered communications equipment and services that pose a threat to the nation's communications network.

RESULTS IN BRIEF

Our audit made the following four findings:

1. FCC reimbursed some participants for costs associated with disposal activities without reasonable assurance that the covered equipment was removed, disposed of, and rendered inoperable.
2. FCC's reliance on unverified self-certified affidavits to establish program eligibility criteria created risks of fraud and improper payments, though FCC has taken recommended steps to mitigate these risks.
3. FCC reimbursed some SCRCP participants without adequate support to demonstrate costs were allowable and reasonable, resulting in \$84.9 million in questioned costs.
4. FCC did not have adequate controls over project management fees and issued some reimbursements without sufficient support that costs were actually and reasonably incurred.

Throughout the audit, FCC OIG informed FCC of internal control gaps identified, and FCC promptly pursued several corrective actions to strengthen the program in real time.

RECOMMENDATIONS

The report made 13 recommendations, which if implemented, will address the national security and program integrity issues identified.

MANAGEMENT'S RESPONSE

FCC concurred with findings 1 and 2, nonconcurred with finding 3, and partially concurred with finding 4. After publication of this report, we will assess FCC's corrective actions to address all recommendations in this report.

PUBLIC RELEASE

The full report will be published on [FCC OIG's Website](https://www.fcc.gov/inspector-general) and on [Oversight.gov](https://www.oversight.gov).

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INTRODUCTION

In March 2020, Congress passed the Secure and Trusted Communications Networks Act of 2019 (Secure Networks Act) to protect the nation's telecommunications networks from national security threats. Two core mandates of this Act were to:

1. Develop and maintain a list of equipment and services constituting an unacceptable risk to national security, and
2. Subsidize the removal, replacement, and disposal (RR&D) of existing equipment at smaller carriers in a manner that makes that equipment permanently inoperable.

To carry out these critical mandates, Congress directed the Federal Communications Commission (FCC or Commission) to establish the Secure and Trusted Communications Networks Reimbursement Program, also known as the "Supply Chain Reimbursement Program" (SCR or Program) or the "Rip and Replace Program," and to "take all necessary steps to avoid waste, fraud, and abuse with respect to the Program."

The purpose of this Program is to reimburse eligible providers of advanced communications service for expenses incurred in the RR&D of covered communications equipment and services that were obtained on or before June 30, 2020, from their networks. Covered communications equipment and services included equipment and services produced or provided by two Chinese companies, Huawei Technologies Company, Ltd. (Huawei) or Zhongxing Telecommunications Equipment Corporation (ZTE).

Congress initially appropriated \$1.9 billion for FCC to carry out the Program. FCC hired an outside firm (Fund Administrator) to administer this Program under its direction.

Telecommunication providers submitted Program applications between October 2021 and January 2022. FCC initially approved 85 participants or recipients for funding, all categorized as Priority 1, with two million or fewer subscribers.¹ FCC allocated a certain amount of Program funding to each participant based on the participant's self-certified and pre-approved package of "good faith" estimated expenses submitted to FCC.

To determine these estimated expenses, participants were permitted to rely on a Cost Catalog created by an FCC contractor identifying cost ranges for many, but not all, expenses that could be charged to the Program. Alternatively, participants could obtain and provide independent quotes to support their anticipated costs.

While FCC authorized each participant a top line allocation based on these pre-approved good faith estimated expenses, participants were only authorized to draw down, through certified reimbursement requests accompanied by an invoice, the "reasonable expenses actually incurred" as they carried out the RR&D activities mandated by the Program.

¹ One additional Priority 3 provider was [approved](#) on April 24, 2025, after the was fully funded.

At the conclusion of the application process, the total pre-approved estimated costs to carry out RR&D activities far exceeded the \$1.9 billion that Congress originally authorized by approximately 60% or \$3 billion. Based on the shortfall, the amount of authorized funding was pro-rated to 39% of pre-approved estimated expenses for each participant. In December 2024, Congress authorized FCC to borrow an additional \$3.08 billion from Treasury to enable funding of 100% of the estimated expenses pre-approved by FCC for participants, bringing total authorized Program funding to \$4.98 billion. While participants were required to perform all associated RR&D activities within one year of initial disbursement, with some permissible extensions, only one participant met this requirement. The lack of funding was cited as a major cause of delay.

In May 2024, recognizing the critical national security implications of this program and the money at risk, FCC's Office of Inspector General (FCC OIG) initiated an audit of the FCC's SCRP. Our audit scope covered the period from December 2021 through June 2024. Throughout this audit, FCC OIG communicated issues and findings to the Commission as they arose. Further, in March 2026, we issued an [FCC OIG Advisory Regarding Fraud Risks in FCC's "Rip and Replace" Program](#)² to alert FCC, Congress, and the public of concerns we identified during the audit and a related investigative review. In addition to the advisory, we issued interim recommendations to enhance internal controls, which the Commission promptly implemented to better protect the Program from fraud and improper payments. Specifically, the Commission conducted In-Depth Data Validations to confirm participant eligibility, adopted a plan to conduct on-site inspections of all participants, and issued Requests for Information, where necessary. In addition, the Enforcement Bureau and Wireline Competition Bureau (WCB) issued a joint enforcement [advisory](#) (March 17, 2026)³ for the SCRP that reminded participants of Program requirements and the consequences of noncompliance, including recovery of all disbursed reimbursement funds, a ban on participation in FCC programs, and referral to law enforcement agencies. The Commission also updated [Program Guidance](#) (July 7, 2026)⁴ to require participants to submit documentation with disposal-related reimbursement claims (e.g., certificates of destruction) demonstrating disposal of covered equipment in a manner that rendered it permanently inoperable and prevents its use in another provider's network.

² FCC OIG Advisory Regarding Fraud Risks in FCC's "Rip and Replace" Program: To Help Identify and Prevent Improper Payments and Ensure National Security Goals Are Met (March 2026).

³ FCC, Enforcement Bureau and Wireline Competition Bureau, Enforcement Bureau and Wireline Competition Bureau Joint Enforcement Advisory for Rip-and-Replace Program: Including Enhanced Oversight Mechanisms, DA 26-252, Docket No. 18-89 (Mar. 17, 2026).

⁴ Secure and Trusted Communications Networks Reimbursement Program: Frequently Asked Questions, at 29 (updated July 7, 2026), released as Attachment 2 to DA 26-679.

OBJECTIVES

This audit report addresses two objectives: 1) whether the SCRP is effectively designed to comply with requirements of the Secure and Trusted Communications Networks Act of 2019; and 2) whether implementation of the SCRP effectively ensures eligible Program participants remove, replace, and dispose of the covered communications equipment and services that pose a threat to the nation's communications network.⁵

RESULTS

As described below, we identified the following four internal control gaps in SCRP's design and implementation:

- Some disposal costs were reimbursed without requiring verifiable proof of destruction before payment.
- Covered equipment claims for some participants were permitted to be reimbursed solely on the basis of self-certified affidavits.
- There was a lack of documentation supporting the review of reimbursements and rationale verifying eligibility, comparable replacement, and reasonableness.
- Some project management fees were reimbursed without adequate support.

These gaps limited FCC's assurance that: (1) SCRP funds were properly disbursed only for reasonable and eligible costs actually incurred, and (2) SCRP achieved its national security objective of ensuring that covered Huawei and ZTE equipment were removed from provider networks, destroyed, and rendered permanently inoperable.

Throughout this audit, we held regular meetings with Program staff to discuss our observations and findings, provided two red flags trainings for FCC and Program administrators to help identify fraud indicators in documentation submitted for reimbursement, and made several recommendations to resolve identified findings. FCC initiated multiple corrective actions shown below to begin the process of addressing the issues identified in real time. These five corrective actions are discussed in detail as a part of the Conclusion section of this report.



ELIGIBILITY
VALIDATIONS



ONSITE
INSPECTIONS



TARGETED
INFORMATION
REQUESTS



REMINDER OF
REQUIREMENTS &
CONSEQUENCES



PROOF OF
DISPOSAL

⁵ Initially, this audit included a third objective to determine whether performance measures for the SCRP are developed and monitored in accordance with the Government Performance and Results Act (GPRA). However, FCC OIG concluded that GPRA was not legally applicable to the SCRP and therefore removed this objective.

FINDING 1. FCC Reimbursed Some Participants for Costs Associated with Disposal Activities Without Reasonable Assurance that the Covered Equipment was Removed, Disposed Of, and Rendered Inoperable.

CONDITION

FCC reimbursed some participants for decommissioning costs without obtaining proof of destruction (such as certificates of destruction) to verify that the covered equipment was permanently removed and rendered inoperable. Based on our analysis of program rules and participant data, we identified a sub-population of 29 of the Program's 85 participants that received reimbursements for decommissioning costs during the audit scope period ending on June 30, 2024. To assess the design and implementation of the Program's documentation controls, we randomly selected one invoice from each of the 29 participants associated with decommissioning costs. In all 29 instances (100 percent), the participants were reimbursed without providing proof of destruction.

Based on our review, we determined that FCC reimbursed these SCRP participants for disposal of covered equipment without requiring or reviewing sufficient supporting information or documentation. Specifically, the information provided by these SCRP participants in support of disposals did not include:

- Adequate descriptions on the invoices submitted for reimbursement to identify what specific covered equipment was disposed of, and
- Verifiable source records to demonstrate the destruction and inoperability of the covered equipment, and that the vendor was qualified to perform the work.

While some SCRP participants provided invoices with information about the locations, amounts, and types of equipment that were disposed of, they did not provide: (1) serial numbers or unique identifiers linked to the specific covered equipment asserted to have been disposed of, or (2) the names of equipment manufacturers or model numbers of that equipment which would allow a reviewer to confirm it was covered equipment produced by Huawei or ZTE, and distinguish it from other equipment.

For example, the invoice might generally refer to antennas or radios without the manufacturer's name and a unique identifier, or without details of how, when, or in what manner it was disposed of, in a way that would allow FCC to validate the disposal activity associated with covered equipment through an audit or site visit. Moreover, the information provided did not establish that the covered equipment was rendered inoperable. Thus, there was insufficient evidence to support the approval of these invoices for payment, or ultimately, prove that the national security objective was met.

We determined that FCC reimbursed some participants for disposal related activities without sufficient information to know, or to ultimately verify, that specific covered equipment had been properly removed, destroyed, and rendered permanently inoperable, as required.

CAUSE

Our review of Program policies and guidance documents found that FCC had not established verifiable disposal reporting requirements for the SCRP, such as that information set forth in [FCC's Disposal Process](#)

[Guidance and Best Practices](#), to include a certificate of destruction from a qualified outside vendor that contains the manufacturer of the equipment, model, and serial number.

Further, FCC's Program administrator relied on invoices submitted by SCRP participants when reimbursing them for the costs of disposal, some of which did not contain sufficient information to demonstrate what covered equipment and services were disposed of, and whether it was rendered inoperable.

EFFECT

The lack of required specificity in documentation to demonstrate proper and complete disposal activities creates two major risks:

- **National Security Risks:** That covered equipment was not removed, destroyed, and/or rendered permanently inoperable, *e.g.*, leaving open the possibility that it is still in use or capable of being used, transferred, or sold.
- **Fraud/Other Improper Payments:** That the expenses reimbursed for disposal were not actually incurred.

Without sufficient information or documentation of disposal activities, FCC is unable to verify or audit the disposal process to ensure not only the financial stewardship of the Program, but also that the critical national security goal has been met.

CRITERIA

[47 C.F.R. § 1.50004](#)(j) and (n)- Secure And Trusted Communications Networks Reimbursement Program

(j) **Disposal requirements.** Reimbursement Program recipients must dispose of the covered communications equipment or service in a manner to prevent the equipment or service from being used in the networks of other providers of advanced communications service. The disposal must result in the destruction of the covered communications equipment or service, making the covered communications equipment or service inoperable permanently. Reimbursement Program recipients must retain documentation demonstrating compliance with this requirement.

(n) **Documentation retention requirement.** Each Reimbursement Program recipient is required to retain all relevant documents, including invoices and receipts, pertaining to all costs eligible for reimbursement actually incurred for the removal, replacement, and disposal of covered communications equipment or services for a period ending not less than 10 years after the date on which it receives final disbursement from the Reimbursement Program.

RECOMMENDATIONS

FCC OIG recommends that FCC:

1. Prior to payment of all pending and future requests for reimbursement associated with disposal activities, mandate that participants submit certificates of destruction/media disposition, as described by [FCC's Disposal Process Guidance and Best Practices](#), or equivalent documentation, from a qualified individual or entity, that dispositively demonstrates proper removal, disposal, and destruction of all covered communications equipment and services, to include the manufacturer of the equipment, model, serial number, and media sanitization information (if applicable).
2. For all Program participants who previously requested and were reimbursed by FCC for expenses associated with disposal activities, request the additional information identified in, or equivalent to, recommendation 1 to substantiate disposal activities as well as the actual costs reasonably incurred.
3. To the extent that Program participants are unable to adequately support prior reimbursements for disposal activities, FCC should take further steps necessary to:
 - determine whether the participants disposed of the equipment, as mandated;
 - seek recovery of funds, as appropriate;
 - refer any potential rule violations to the Enforcement Bureau, and refer any evidence of fraud, waste, or abuse to FCC OIG; and
 - take any other administrative actions as deemed warranted.
4. Develop and implement policies, procedures, processes, and associated training for claims reviewers and site visit staff on how to verify compliance associated with disposal activities, and fraud indicators with respect to invoices.

FCC MANAGEMENT RESPONSE

In its management response to this report, FCC concurred with this finding and stated: "We therefore have amended and supplemented our reimbursement claim review process to also require recipients to provide documentary evidence of the disposal work, including certificates of destruction. We issued an updated version of our Frequently Asked Questions document highlighting this change to alert recipients to the new requirements. We amended our policies and procedures to account for these changes and conducted a series of trainings for reviewers to identify the types of documentation required to demonstrate the disposal of covered communications equipment."

In addition, FCC acknowledged that the Commission had already approved reimbursements for disposal work performed prior to these changes, and specified, "The Fund Administrator will perform site visits for all Program participants, and the new approach requires it to secure proof of disposal for all pieces of covered communications equipment a recipient identified in its application to the Program."

FCC provided formal written comments in response to our draft report. A copy of FCC's response in its entirety can be found in Appendix D.

FCC OIG REPLY

We appreciate FCC's response and efforts to address this finding. We will review and evaluate FCC's corrective actions as part of our audit follow up process, and appreciate the Commission's attention to these important recommendations.

FINDING 2. FCC's Reliance on Unverified Self-Certified Affidavits to Establish Program Eligibility Criteria Created Risks of Fraud and Improper Payments, though FCC has Taken Recommended Steps To Mitigate These Risks.

CONDITION

Our analysis of SCRP documentation established that 22 of 85⁶ (26%) participants enrolled in the Program using self-certified affidavits as the exclusive source of evidence to support the existence of all or part of their covered equipment inventory. Among them, seven participants who received SCRP payments submitted affidavits through the Program portal to substantiate 100% of their existing covered equipment.

As demonstrated below, these seven participants were reimbursed a total of \$33.1 million during the audit period from December 2021 through June 2024. These reimbursements were to support the RR&D of covered equipment, the existence of which was supported solely by affidavits, without verifiable equipment records to support cost estimates for approval, i.e., such as invoices, bills of lading, Property, Plant, and Equipment (PP&E) records, tower leasing agreements, tax records, or photographs.

During the audit scope period, these seven participants received a combined allocation of \$105.9 million, representing an initial 39.5% of their total approved cost estimates, that relied on affidavits as the only proof of existence of covered equipment. This places the full amount at risk of fraud and improper payments.

We also identified 15 participants that relied on affidavits to support a portion of their claimed covered equipment. For example, one participant provided invoices to substantiate 4,358 units of covered equipment but relied on an affidavit for the remaining 90,942 units. Although the affidavit included a list prepared by the participant showing purchase dates and amounts, it did not identify the quantity, model, or serial number(s) of equipment associated with each invoice.

In another example, a participant claimed 155,588 units of covered equipment based on an affidavit that listed invoice dates and amounts but, again, did not specify equipment quantities, models, or serial numbers. In its affidavit, the participant also included three sample invoices to substantiate 1,879 units. However, the equipment descriptions in the invoices were not detailed enough to be auditable – that is, there would be no way to match the items against the participant's covered equipment inventory.

CAUSE

FCC's User Guide explicitly allowed applicants to submit an affidavit to prove the purchase date was before June 30, 2020, if supporting documentation, such as invoices or proof of payment, was not available or did not indicate when the equipment was purchased. While this provision was intended in part to accommodate participants with incomplete historical records regarding existing covered equipment that posed a national security risk, in practice, FCC did not require applicants to offer any type of justification for choosing affidavits over source records. Specifically, FCC did not require

⁶ One additional Priority 3 provider was approved on April 24, 2025, after the program was fully funded.

alternative forms of proof to independently corroborate the equipment's existence, ownership, and purchase date to mitigate the risks associated with its exception provision.

EFFECT

Allowing applicants to demonstrate the existence of covered equipment, based exclusively on affidavits, without further supporting evidence, constitutes a significant internal control deficiency embedded in the Program's design. It exposes the Program to a heightened risk of approving ineligible applicants for the Program, and/or reimbursing claims for equipment that may not exist or may be ineligible for reimbursement.

Further, in the absence of verification of covered equipment through reliable corroborating documentation, FCC lacks a reliable basis to confirm purchase and ownership of "covered equipment," which is a key eligibility criterion and critical to ultimately being able to ensure the core national security purpose of this program, removal and destruction of untrusted equipment from our nation's telecommunication networks. This program weakness, i.e., allowing self-certification to become an acceptable substitute for verifiable proof, fundamentally diminished accountability and program integrity, and increased the risks of improper payments and fraud. Additionally, this practice may diminish the funds available to support valid claims by other Program participants.

Ultimately, some providers were approved for the Program, and reimbursed for associated costs, without reasonable assurance that they were eligible to participate, or that the underlying covered equipment was ever purchased.

CRITERIA

[Secure and Trusted Communications Networks Reimbursement Program FCC Form 5640 User Guide \(October 2021 Update\)](#)

For existing covered equipment, the applicant will be required to provide documentation of the equipment, such as a purchase order⁷ or photograph, confirming that it was obtained on or before June 30, 2020. If this supporting documentation is not available or does not indicate when the equipment was purchased, the applicant must provide an affidavit certifying that the equipment was purchased on or before June 30, 2020. The requirement to upload documentation for equipment in this section only applies to existing equipment, not replacement equipment. The existing equipment supporting documentation is used to establish that the Applicant has covered Huawei and/or ZTE equipment.

RECOMMENDATIONS

FCC OIG recommends that FCC:

5. Require participants that substantiated covered equipment solely by an affidavit to confirm the equipment's existence, ownership, and eligibility. This effort should begin with the seven

⁷ For the development of future reimbursement programs, we note that purchase orders are not reliable sources to establish that goods or services were actually purchased, as they could be easily canceled, and do not demonstrate payment for delivery of goods or services.

participants who relied exclusively on affidavits to support their ownership of covered equipment and then expand to include other participants who relied on affidavits for part of the covered equipment claimed. Verification should include requesting that providers submit verifiable evidence to demonstrate the purchase and use of covered equipment, that includes identifiable information such as model and serial numbers that can be used to validate the existence, ownership, and eligibility of the equipment, such as:

- Paid invoices,
 - Bank records,
 - Tax records,
 - PP&E records,
 - Maintenance invoices,
 - Real time Internet Control Message Protocol (ICMP) echo report,
 - Executed lease or rental agreements for cell towers or property that identifies the type and quantity of installed equipment,
 - Delivery and installment records, and/or
 - Photographic or video evidence.
6. In coordination with the Fund Administrator, require that for all remaining SCRP payments associated with covered equipment supported exclusively by affidavits, Program participants submit a combination of verifiable documentation, as identified in recommendation #5, before additional funds are disbursed.
7. To the extent that Program participants are unable to adequately establish the original existence of covered equipment, or provide adequate support for prior reimbursements associated with covered equipment supported by affidavits that cannot be verified, FCC should take further steps necessary to:
- seek recovery of funds, as appropriate;
 - refer any potential rule violations to the Enforcement Bureau, and refer any evidence of fraud, waste, or abuse to FCC OIG; and
 - take any other administrative actions as deemed warranted.

FCC MANAGEMENT RESPONSE

In response to the finding, FCC concurred and summarized the actions it has taken to address the recommendations as follows: "For the majority of recipients that relied in whole or in part on affidavits for this purpose, the Commission issued in-depth data validation (IDV) requests to acquire additional information about this equipment. The Commission received responses [], and believes it has acquired ample evidence to support the eligibility of these recipients to participate in the Program. For example, the recipients relied on photographs, invoices, purchase orders and other records to demonstrate the existence of covered equipment."

FCC provided formal written comments in response to our draft report. A copy of FCC's management response in its entirety can be found in Appendix D.

FCC OIG REPLY

We appreciate FCC's response and the efforts it has taken to address this finding and our recommendations in real time.

We will review and evaluate FCC's corrective actions as part of our audit follow up process. This will include a comprehensive analysis of the documentation received in response to the Commission's IDV requests to determine whether each Participant has adequately supported the information provided in its self-certified affidavits.

FINDING 3. FCC Reimbursed Some SCRP Participants Without Adequate Support to Demonstrate Costs were Allowable and Reasonable.**CONDITION**

FCC OIG tested 200 invoices, totaling \$91.9 million, that SCRP participants submitted with reimbursement requests that were previously approved and paid by FCC. We found that 185 of the 200 selected invoices (92.5% tested) were not sufficiently supported, resulting in \$84.9 million that we classified as questioned costs.

Specifically, we found the following issues with the reimbursement requests:

1. Missing or Inadequate Covered Equipment Information

We found that 173 of 200 tested invoices (86.5%) included items linked to approved cost estimates with one or more of the following deficiencies associated with the covered equipment to be removed and replaced.

- a. **Missing Equipment IDs:** Approved cost estimates did not include a covered equipment ID as required by FCC Form 5640 user guide. The Equipment ID is the portal record containing the covered equipment's make, model, and supporting ownership documentation. Without the Equipment ID, the file contained insufficient evidence for reviewers to consider regarding the existing covered equipment before approving the cost estimate, as required by the Technical Review Guidance.
- b. **Missing Supporting Documentation:** A covered equipment ID was provided, but supporting documentation was missing. Participants did not include a purchase order or a photograph of the covered equipment to validate equipment ownership and eligibility, or they submitted an affidavit as the sole supporting document for the equipment.
- c. **Insufficient Equipment Specifications:** The applicant provided information on the covered equipment. However, the model information was generic or otherwise insufficient to identify the specific equipment and obtain the technical specifications needed to conduct the review required by the Technical Review Guidance.

2. Vague Replacement Equipment and Service Descriptions

We found 162 of 200 invoices (81%) contained vague descriptions of replacement equipment or services. Equipment descriptions often repeated the cost index language rather than specifying the model or capabilities required for compatibility testing. Figure 1 and Figure 2 are examples of an invoice that used a vague description and repeated the cost index language.

Figure 1: Screenshot from the Cost Catalog listing the matching description of the index 3.2.3 claimed in Figure 2.

Index	Description	Range of Estimated Costs		Costs
		Low	High	Average
3.2.3	Cloud - Virtual EPC (SAE-GW, Firewall, Carrier Grade NAT, eCGF, MME, PCRF, Large Network), includes Design, Installation, Commissioning, Integration Services	\$ 2,000,000.00	\$ 24,381,688.00	\$ 13,190,844.00

Source: SCRP Final Catalog of Eligible Expenses and Estimated Costs Revised December 17, 2021

Figure 2: Example of an equipment invoice that repeats a cost index description rather than identifying the specific model name.

Item	Material	Description		Price	Value
Order#	Item#	Qty	UOM		
Cus.Pur.Ord	PO Item#	Cust. Mtrl.			
001000	3.2.3_A	3.2.3 Cloud - Virtual EPC (SAE-GW, Firew			
		1.00	PC	7,399,952.11	7,399,952.11
	11				

Source: FCC OIG analysis of FCC's records of participant invoice

In the example above, the claimed item was a cloud virtual Evolved Packet Core, costing over \$7.3 million. The invoice did not identify specific equipment or technical specifications. Instead, it repeated the generic description from the Cost Catalog. With the invoice only repeating the generic Cost Catalog description rather than identifying specific equipment make and model purchased, there was insufficient evidence that the claimed item matched the equipment authorized in the approved cost estimate before the invoice was approved for payment.

Similarly, service descriptions, whether billed as fixed fee or time and materials, lacked sufficient detail to demonstrate the scope of work performed or its connection to the RRD process.

CAUSE

The cost estimate and invoice review process does not require Fund Administrator reviewers to document the specific evidence they used, such as equipment specifications and service details. In addition, the process does not require reviewers to document their rationale for determining whether costs were reasonable, whether equipment and services were eligible and compatible, or how services were connected to the RRD process. In addition, as noted in a previous finding, the Program allowed participants to use affidavits as a substitute for verifiable purchase documentation for covered equipment, bypassing the need for reliable proof of covered equipment ownership and eligibility.⁸

⁸ FCC has initiated In-Depth Data Validations (IDVs) for SCRP participants who used self-certified affidavits to support some or all of their initial covered equipment submissions. FCC OIG will review information obtained through IDVs to determine whether they cure a portion of the issues identified in this finding.

EFFECT

We concluded that the information contained in the review file did not provide a sufficient basis to substantiate that \$84.9 million of reimbursements we reviewed were reasonable, allowable, and properly supported, or that they were disbursed for their intended purpose. Accordingly, and based on the documentation provided during the audit, we identified the \$84.9 million as questioned costs because the costs were not supported by adequate documentation at the time that they were reimbursed.⁹

Without specific equipment data and documented reviewer rationale, the Program cannot reliably verify eligibility, assign the correct cost index, or confirm that replacements are functionally equivalent. FCC is also left without an adequate audit trail to support approval decisions.

These risks carry substantial financial exposure. For example, the Compact RAN Core and Element Management System category is tiered by subscriber count. The small tier (Index 3.3.1, 10,000 to 50,000 subscribers) carries an average estimated cost of \$776,712.50, while the large tier (Index 3.3.3, over 250,000 subscribers) averages \$15.4 million. A single misclassification between these tiers, approved without a compatibility test confirming subscriber count, could result in an improper payment based on averages of approximately \$14.6 million on one claim alone.

For service expenses, the absence of sufficient detail on the scope of work performed or its connection to the RRD process limits the Program's ability to assess whether the amounts charged were reasonable.

Finally, the deficiencies we identified are particularly significant given the amount of SCRP funding that remains to be disbursed. As of August 6, 2026, approximately \$1.55 billion of the nearly \$5 billion Program had been paid out, leaving approximately \$3.5 billion potentially vulnerable to improper payment risks.

CRITERIA

[Secure and Trusted Communications Networks Reimbursement Program FCC Form 5640 User Guide \(February 03, 2022\)](#) (p.22 - 23)

The Applicant will need to input the following information in the Excel template for each cost estimate: Equipment ID for existing Equipment or Service Being Removed, Replaced and/or Disposed.

FCC WCB Fund Reimbursement Process Methods and Procedures Documentation (June 24, 2022)

FCC SCRP Fund Administrator Technical Review Guidance (October 11, 2024)

⁹ [Council of the Inspectors General on Integrity and Efficiency, Toolkit for Identifying and Reporting Monetary Impact, June 18, 2024, appendix 4, p. 32; 5 U.S.C. § 405\(a\)\(4\)\(B\)](#). CIGIE's toolkit defines questioned costs to include costs that are not supported by adequate documentation at the time of the audit.

RECOMMENDATIONS

FCC OIG recommends that FCC:

8. Revise processes and procedures to:
 - a. Require reviewers to confirm that the approved cost estimates contain the information required by the SCRP to include the covered equipment IDs, and if they do not, to seek additional information from participants to provide required information regarding the make and model of both the covered and replacement equipment;
 - b. Require reviewers to confirm that the initial documentation participants provided regarding covered equipment contains the make and model of equipment to be removed, replaced, and disposed of;
 - c. Require specific, documented reviewer notes detailing the rationale for approval, which includes references to the evidence, specifications, and pricing benchmarks used to validate the claim, particularly for items outside the standard cost catalog.
9. Determine whether the identified \$84.9 million in questioned costs were supported and allowable, and recover any amounts subsequently determined to be unsupported and unallowable.
10. Using a risk-based sampling approach, conduct an analysis of previously approved reimbursements not tested during this audit to determine whether those costs were adequately supported, whether the expenses reimbursed were allowable, reasonable, and actually incurred, and to the extent they were not, recover associated funding.

FCC MANAGEMENT RESPONSE

In its management response, FCC did not concur with this finding, and stated, “we believe we have adequate support to demonstrate costs were allowable and reasonable for approved reimbursement claim requests.” FCC specified that they conducted a review of our sample population and hired a third-party auditor to conduct additional testing of a sample of FY 25 reimbursements. FCC stated, “The Commission’s internal review showed the Commission made no reimbursement without first acquiring adequate support to demonstrate the cost was allowable and reasonable. The third-party auditor conducted a review of reimbursements issued in Fiscal Year 2025, including by using lessons learned from the Office of Inspector General’s red flag training, and determined that only one payment in its sample was improper. For that improper payment, the Commission has already taken steps to reclaim the funding.”

FCC also responded that “[a]s part of our ongoing commitment to improve processes to prevent waste, fraud, and abuse in the Program, the Commission now requires specific, documented reviewer notes detailing the rationale for the approval of cost estimates. And as noted above under Finding 1, we have also required recipients that relied on affidavits to demonstrate the existence of covered equipment to provide additional evidence of its provenance.”

Finally, FCC noted that “[c]onsistent with the Office of Inspector General’s recommendation to refer any potential violations to EB, we have referred to EB six recipients where there existed additional information that could potentially indicate the existence of improper payments or other non-compliance.”

FCC provided formal written comments in response to our draft report. A copy of FCC’s response in its entirety can be found in Appendix D.

FCC OIG REPLY

We appreciate FCC’s significant efforts to evaluate our finding and the actions it has taken in response to some of our recommendations. We note that FCC OIG and FCC management engaged in several constructive conversations regarding this finding, and our conclusions remain the same. We continue to find that at the time these reimbursements were made, FCC did not have sufficient support or reasonable assurances that the expenses we characterized as questioned costs were reasonable or allowable.

We will review and evaluate FCC’s noted actions as part of our audit follow up process.

FINDING 4. FCC Did not have Adequate Controls Over Project Management Fees and Issued Some Reimbursements without Sufficient Support that Costs Were Actually and Reasonably Incurred.**CONDITION**

Between September 2022 and June 2024, FCC disbursed a total of \$802 million to participants to reimburse them for RRD-related costs. Of this amount, approximately 7% or \$55.7 million was labeled as project management expenses. The \$55.7 million consisted of \$37.7 million for the no cost index “reimbursement-related” project management fees and \$18 million for the cost index 5.7.3 “in-the-field” project management fees.

The first category of “reimbursement-related” project management fees was primarily administrative in nature (e.g., preparing reimbursement documentation, handling correspondence). During our review, we found that the reimbursement requests submitted for these costs were consistently approved and paid despite insufficient detail to validate the work or the reasonableness of costs.

Across 824 invoices, a total of five firms/vendors received payments for reimbursement-related project management fees under this Program. Of these, two firms accounted for 98% of the total amount reimbursed. Further, one of these firms was the same contractor that FCC hired to develop the Program’s Cost Catalog. That firm was the highest paid among all reimbursement project management vendors, receiving a total of \$28.9 million through June 30, 2024, the end of our audit scope period.

We judgmentally tested 12 sample invoices (4 of which were previously discussed in Finding 3) based on invoice amounts from each project management category. For the reimbursement-related category that did not have an established cost index, we targeted the ten highest dollar invoices submitted by a project management vendor. We found that these invoices were associated with a single participant over 10 consecutive months from August 2023 through May 2024. This allowed us to evaluate the consistency of billing and documentation practices over time. From the sequence, we selected one representative invoice to serve as an illustrative example.

For the in-the-field category, which had an established cost index, we selected the two highest dollar value invoices, both submitted by the same vendor, for detailed review. We found that these two covered the period from August 2021 through April 2023, which allowed us to consider billing and supporting documentation practices across different points in time. For both cases, we examined the invoice descriptions, supporting documentation, and the Fund Administrator's records to determine whether the files contained sufficient information to validate the work performed and support the reasonableness determinations.

We found that the invoices submitted often contained vague and repetitive task descriptions, such as “Organize Client Data” or “Project Management Work Organization,” and were used to support nearly 3,000 line items on a single invoice. In addition, we found that the invoices we reviewed did not include information on labor categories, staff qualifications, or specific work products delivered, thereby limiting the ability of FCC Program officials and Fund Administrators to determine the nature of the services provided or to assess the necessity or reasonableness of the charges.

Invoices with these deficiencies fell into two categories: reimbursement-related project management services paid without an established cost index, and ineligible expenses paid under in-the-field project management service cost index. These issues are illustrated in the following paid invoices for project management:

Figure 3: Example of project management invoice with vague and repetitive task description

Employee	Date	Task	Hour	Rate	Amount
	2/1/2024	Data Management - Organize Client Data	0.5	173.25	86.63
	2/1/2024	Data Management - Prepare/Update Cost Estimate Data	3	173.25	519.75
	2/2/2024	Data Management - Organize Client Data	0.25	173.25	43.31
	2/5/2024	Data Management - Organize Client Data	0.5	173.25	86.63
	2/5/2024	Data Management - Prepare/Update Cost Estimate Data	5	173.25	866.25
	2/6/2024	Data Management - Organize Client Data	0.25	173.25	43.31
	2/6/2024	Data Management - Prepare/Update Cost Estimate Data	7.25	173.25	1,256.06
	2/7/2024	Data Management - Prepare/Update Cost Estimate Data	1	173.25	173.25
	2/8/2024	Data Management - Prepare/Update Cost Estimate Data	2.25	173.25	389.81
	2/9/2024	Data Management - Prepare/Update Cost Estimate Data	2.5	173.25	433.13
	2/9/2024	Data Management - QA Client Data	1	173.25	173.25
	2/12/2024	Data Management - Prepare/Update Cost Estimate Data	4	173.25	693.00
	2/12/2024	Data Management - QA Client Data	0.75	173.25	129.94
	2/13/2024	Data Management - Organize Client Data	2.25	173.25	389.81
	2/13/2024	Data Management - Prepare/Update Cost Estimate Data	3.75	173.25	649.69
	2/13/2024	Data Management - QA Client Data	0.5	173.25	86.63
	2/14/2024	Data Management - Organize Client Data	1	173.25	173.25
	2/14/2024	Data Management - Prepare/Update Cost Estimate Data	4.5	173.25	779.63
	2/14/2024	Data Management - QA Client Data	2.25	173.25	389.81
	2/15/2024	Data Management - Prepare/Update Cost Estimate Data	2.25	173.25	389.81
	2/15/2024	Data Management - QA Client Data	7	173.25	1,212.75
	2/16/2024	Data Management - Prepare/Update Cost Estimate Data	2.25	173.25	389.81
	2/16/2024	Data Management - QA Client Data	4.25	173.25	736.31
	2/17/2024	Data Management - QA Client Data	1.5	173.25	259.88
	2/19/2024	Data Management - Prepare/Update Cost Estimate Data	3.25	173.25	563.06
	2/19/2024	Data Management - QA Client Data	3.25	173.25	563.06
	2/20/2024	Data Management - Prepare/Update Cost Estimate Data	2	173.25	346.50
	2/20/2024	Data Management - QA Client Data	4	173.25	693.00
	2/21/2024	Data Management - Prepare/Update Cost Estimate Data	3.5	173.25	606.38
	2/21/2024	Data Management - QA Client Data	2.5	173.25	433.13
	2/22/2024	Data Management - Prepare/Update Cost Estimate Data	1.5	173.25	259.88
	2/22/2024	Data Management - QA Client Data	3.75	173.25	649.69
	2/23/2024	Data Management - Organize Client Data	2.75	173.25	476.44
	2/23/2024	Data Management - Prepare/Update Cost Estimate Data	1.5	173.25	259.88
	2/23/2024	Data Management - QA Client Data	0.5	173.25	86.63
	2/26/2024	Data Management - Organize Client Data	2.5	173.25	433.13
	2/26/2024	Data Management - Prepare/Update Cost Estimate Data	1	173.25	173.25
	2/26/2024	Data Management - QA Client Data	1.5	173.25	259.88
	2/27/2024	Data Management - Organize Client Data	2	173.25	346.50
	2/27/2024	Data Management - Prepare/Update Cost Estimate Data	1	173.25	173.25
	2/27/2024	Data Management - QA Client Data	1	173.25	173.25
	2/28/2024	Data Management - Organize Client Data	3.25	173.25	563.06
	2/28/2024	Data Management - Prepare/Update Cost Estimate Data	3.75	173.25	649.69
	2/29/2024	Data Management - Organize Client Data	2.5	173.25	433.13
	2/29/2024	Data Management - Prepare/Update Cost Estimate Data	5.25	173.25	909.56
	2/29/2024	Data Management - QA Client Data	0.75	173.25	129.94
	2/1/2024	Data Management - Organize Client Data	1.5	173.25	259.88
	2/1/2024	Data Management - Prepare/Update Cost Estimate Data	2.25	173.25	389.81
	2/1/2024	Data Management - QA Client Data	1.25	173.25	216.56
	2/2/2024	Data Management - Organize Client Data	0.5	173.25	86.63
	2/2/2024	Data Management - QA Client Data	1.25	173.25	216.56
	2/3/2024	Data Management - Organize Client Data	0.5	173.25	86.63
	2/3/2024	Data Management - Prepare/Update Cost Estimate Data	0.5	173.25	86.63
	2/3/2024	Data Management - QA Client Data	1	173.25	173.25
	2/5/2024	Data Management - QA Client Data	0.5	173.25	86.63
	2/6/2024	Data Management - Organize Client Data	1.5	173.25	259.88
	2/6/2024	Data Management - Prepare/Update Cost Estimate Data	0.75	173.25	129.94
	2/6/2024	Data Management - QA Client Data	1	173.25	173.25
	2/10/2024	Data Management - Organize Client Data	0.25	173.25	43.31
	2/10/2024	Data Management - QA Client Data	1.25	173.25	216.56
	2/11/2024	Data Management - QA Client Data	0.75	173.25	129.94

Source: FCC OIG analysis of FCC's records of participant invoices

Reimbursement-related Project Management Services Paid Without An Established Cost Index

The Cost Catalog, which is intended to guide reviewers in assessing cost reasonableness, does not include a specific index for reimbursement-related project management services. Reimbursements under this category were submitted as “not in cost catalog,” which left reviewers without a baseline or reference point for evaluating the costs. As a result, the requests were approved based solely on the vendor’s quote.

According to FCC officials, reimbursement of project management services is intended to help participants understand FCC rules and requirements and apply that expertise to complete reimbursement submissions. FCC expected documentation for these expenses to include information identifying the individual who completed the work, the hours and dates on which that work was performed by the individual, the individual’s rate per hour, and a detailed description of each activity performed by each person. However, FCC did not require participants to tie reimbursement-related project management expenses to specific pieces of equipment, locations, or cost estimates, and the invoices we reviewed did not provide sufficient supporting context to evaluate whether the charges were necessary or reasonable. For example, 10 monthly reimbursement project management invoices we reviewed from one firm for a participant, totaling more than \$11 million, were paid even though the invoices did not include sufficient detail, such as the number of reimbursement requests processed, to justify the expenses.

Ineligible Expenses Paid Under In-the-Field Project Management Service Cost Index

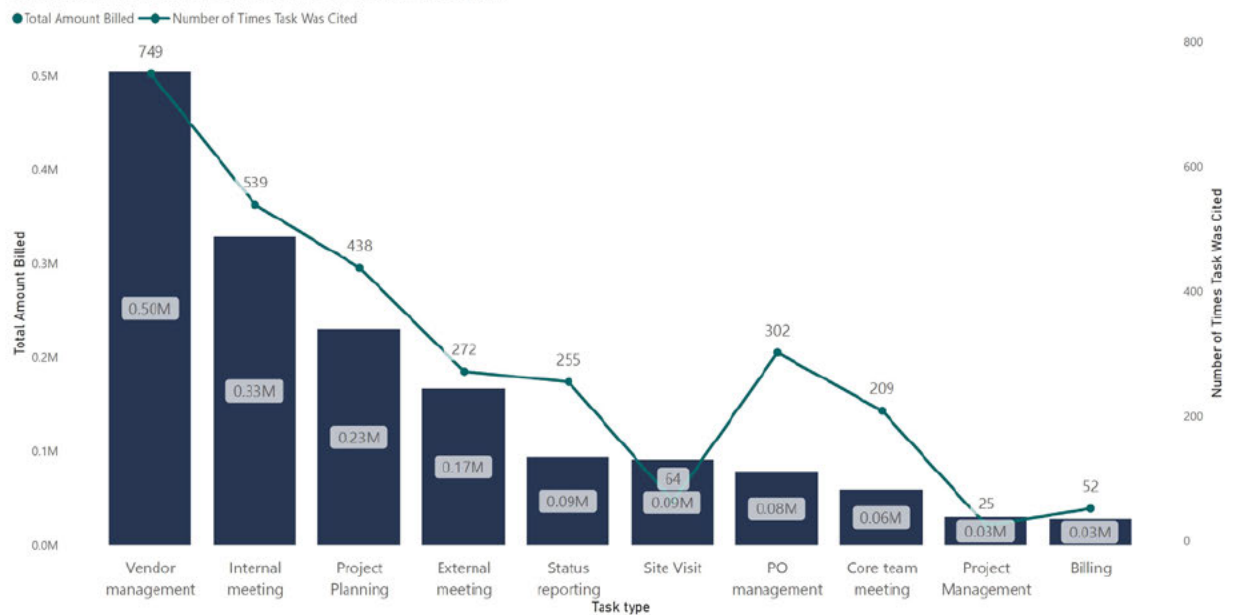
In another example, an equipment vendor was paid \$1.6 million for an invoice that combined \$764,000 for in-the-field project management (cost index 5.7.3) and \$842,000 in construction management (cost index 5.7.4). None of the invoice’s 2,905 line items indicate whether charges applied to in-the-field project management or construction management. However, our review found that the entire \$1.6 million invoice was approved in full even though only six percent of the line items contained the required “in-the-field” designation, and the remaining 94 percent were bundled together. Further, \$764,731 was billed under cost index 5.7.3, which is reserved for “in-the-field” technical services, even though the invoice did not include support for this expense category.

The figure below shows how repetitive task descriptions with limited detail accounted for nearly 3,000 line items in a paid project management invoice, along with the corresponding amounts billed. While some invoices included cover letters, the information in the cover letters did not fully explain the charges. Specifically, some cover letters included employee names, the date the work was performed, the hourly rate billed, the total time spent on each task, and the total amount billed, but did not tie this information to specific invoices or documents prepared, meetings conducted, or sites visited on behalf of the specific participants for whom the invoices were being submitted.

Figures 4 and 5: Distribution of Repetitive Task Description and Associated Charges in a Project Management Invoice covering two months of work.

Nearly 3,000 invoice line items used only 10 repeated task titles, totaling \$1.6 million paid, with minimal detail.

Bar chart shows frequency of 10 repeated 2 - 3 word tasks and total paid.



Task type	Line Item Count	Hours Billed	Amount
Billing	52	151.75	\$27,805
Core team meeting	209	304.00	\$58,852
External meeting	272	839.74	\$166,429
Internal meeting	539	1,748.35	\$328,480
Purchase Order (PO) management	302	1,028.94	\$77,881
Project Management	25	130.00	\$29,930
Project Planning	438	1,242.75	\$229,863
Site Visit	64	525.28	\$90,695
Status reporting	255	495.50	\$93,599
Vendor management	749	3,517.96	\$504,090
Total	2,905	9,984.27	\$1,607,623

Source: FCC OIG Analysis of a Sample Project Management Invoice

Our review of another invoice from the same vendor to the same participant identified further deficiencies that called the payment into question, including:

Excessive and Unsupported Labor Costs: The invoice included labor charges that appeared excessive and were not supported by adequate documentation. Multiple employees were billed at amounts that exceeded the monthly average of \$38,925 per person established under cost index 5.7.3, which serves as the benchmark for assessing the reasonableness of labor costs. For example, one invoice reflected an individual charging nearly 300 hours in a single month on behalf of that single participant, resulting in charges of more than \$53,000. That amount exceeded the "high" estimate in the cost catalog for cost index 5.7.3. These deviations from the benchmark were not supported by sufficient justification or documentation to demonstrate that the costs were reasonable or allowable.

CAUSE

These issues stem from two related control deficiencies in the Program's review process.

1. Insufficient Review Criteria for Project Management Fees

The Cost Catalog provides an average cost for in-the-field project management services based on a standard number of hours and an hourly rate. However, while the reviewer guidance instructs reviewers to capture the hourly rate and hours incurred, it does not require evaluation of critical elements such as personnel qualifications, specific duties performed, or project milestones achieved. As a result, reviewers lacked the necessary information and criteria to assess whether the services were reasonable, necessary, or aligned with the Program's objectives.

2. Absence of a Cost Index for Reimbursement-related Project Management Services

The Cost Catalog, which was intended to serve as a primary reference for assessing cost reasonableness, does not include a cost index for reimbursement-related project management fees. Therefore, these costs were submitted under the "no cost index" category. In addition, while the Program FAQs acknowledge reimbursement related project management services and indicate that the associated rates are expected to be lower than rates for "in-the-field" technical project management services, the technical review guide did not provide a benchmark or a reference point that reviewers could use to assess reasonableness.

This gap left reviewers without a reference point to evaluate vendor quotes or challenge questionable charges. These control weaknesses contributed to the approval of invoices with limited scrutiny, leading to the reimbursement of charges that were unsupported and potentially excessive.

We also noted that the firm contracted by FCC to develop the catalog, which omitted an index for these services, subsequently submitted a majority of the reimbursement requests for these administrative support tasks, claiming the costs under a "no cost index" category.

EFFECT

The effect of this significant control gap is that millions of dollars in Program funds were disbursed for costs that were not adequately supported and potentially excessive, creating an increased risk of improper payments, to include potential fraud. If not corrected, this weakness will have significant future implications. As the Program has now been fully funded from 39.5% to 100%, with an additional \$3.08 billion authorized, FCC risks reimbursing even greater sums for potentially unsupported or unreasonable project management costs.

CRITERIA

[Secure and Trusted Communications Networks Reimbursement Program: Frequently Asked Questions \(January 2022\)](#)

What does the Project Management Category in the Cost Catalog Cover for purposes of cost estimates?

Providers may consider project management services to include both 'reimbursement-related' project management services (e.g., FCC Form 5640 planning, preparation and filing support, invoice processing, documentation collection and completion) and 'in-the-field' technical project management services (i.e., vendor turnkey or bundled, technical management of on-site equipment removal, replacement, and disposal projects). For purposes of estimating cost using the Cost Catalog, the Project Management categories (in particular 5.7.1 and 5.7.3) are only applicable to estimating cost for 'in-the-field' technical project management services.

'Reimbursement-related' project management services (e.g., FCC Form 5640 planning, preparation and filing support, invoice processing, documentation collection and completion) are not included in the Cost Catalog and should, therefore, be entered by indicating that the cost estimate average is not included in the Cost Catalog and providing the estimated costs and required supporting documentation. Estimates will be reviewed for reasonableness based on the description of services provided relative to the total cost and technical aspects of the project; consideration of the timing of the participant's removal, replacement, and disposal project; and consideration of the appropriateness of the rate provided given the type of work described.

The rates for 'Reimbursement-related' project management services are anticipated to be lower than those included in the Cost Catalog, which are intended to apply to 'in-the-field' technical project management services.

RECOMMENDATIONS

To strengthen internal controls and prevent improper payments associated with project management fees and reimbursements, FCC OIG recommends that FCC take the following actions:

11. Amend the Program's reviewer guide to establish clear criteria and documentation standards for project management fees. This guidance should require that invoices for such services:
 - a. be supported by the source contract, consulting agreement, or other memorandum of agreement between the project management firm and the SCRP participant, detailing the

- scope of work or project plan that outlines objectives and deliverables, as well as the cost agreement between the two parties;
- b. contain granular descriptions of each task performed, not generic duties, and map these tasks to the specific projects, invoices, and correspondence the firm handled during the billing period to assist reviewers in assessing the reasonableness of the project management fees billed;
 - c. include all source records substantiating the work performed, such as milestone schedules, progress reports, meeting minutes, deliverable submissions, correspondence, or other documentation to support invoices submitted for SCRП reimbursement; and
 - d. include a supporting document identifying the contractor employees listed in the invoice, including labor category, and qualifications corresponding to the work performed.
12. Amend the Program Reviewer's Guide procedures to provide a baseline cost for reimbursement-related Project Management fees and, prior to issuing future disbursements, issue RFIs for further support when submitted expenses deviate from this baseline.
13. Conduct an audit, evaluation, or review of the firms that received reimbursements for project management fees (for both No Cost Index and Cost Index 5.7.3) in the SCRП Program to request and assess additional source records and re-evaluate the reasonableness of their project management expenses for which they were reimbursed. To the extent the reviews identify overpayments, we recommend that the FCC recover any such overpayments.

MANAGEMENT RESPONSE

In its management response, FCC partially concurred with the finding and the associated recommendations, and stated, "The Commission does not believe that it issued any reimbursements without sufficient support that costs were actually and reasonably incurred. To support this position, the Commission hired a third-party auditor to conduct a review of a sample of project management fees to determine whether the Commission lacked support to justify these costs. The third-party auditor found that while the level of detail provided by project management firms to justify their expenses differed by provider, the descriptions provided generally met existing review requirements and no payments were improper." FCC specifically agreed with recommendations 11 and 12, and did not specifically reply to recommendation 13.

FCC provided formal written comments in response to our draft report. A copy of FCC's response in its entirety can be found in Appendix D.

FCC OIG REPLY

We appreciate FCC's response to our finding and its agreement with two of our recommendations. We will review and evaluate FCC's noted actions as part of our audit follow up process.

CONCLUSION

Over the course of our audit, FCC OIG identified opportunities to strengthen FCC's implementation of the SCRP and mitigate its associated risks impacting national security and financial stewardship. To help FCC protect this program in real time, we kept the Commission informed of our concerns and findings related to the design and implementation of the Program and offered recommendations to address them as Program funding was being disbursed.

In March 2026, FCC OIG issued a public [Advisory](#)¹⁰ regarding fraud risks in the Program to alert the Commission, Congress, and the public of concerns identified during the audit and a related investigative review. FCC OIG also issued interim recommendations and referrals to FCC and conducted two Red Flags training sessions with FCC Program officials and Fund Administrators to help them identify and address fraud risks.

Prior to the issuance of this report, FCC pursued immediate corrective actions to address deficiencies we noted, as described below.

COMMISSION ACTIONS DURING THE AUDIT

ELIGIBILITY VALIDATIONS

The Commission conducted In-Depth Data Validations to confirm participant eligibility.

ONSITE INSPECTIONS

The Commission adopted a plan to conduct onsite inspections of all participants.

TARGETED INFORMATION REQUESTS

The Commission issued Requests for Information, where necessary, to address identified concerns.

ISSUED ADVISORY ON REQUIREMENTS & CONSEQUENCES

The Enforcement Bureau and Wireline Competition Bureau issued a joint enforcement [advisory](#)¹¹ reminding SCRP participants of Program requirements and the consequences of noncompliance, which included recovery of all disbursed reimbursement funds, a ban on participation in FCC programs, and referral to law enforcement agencies.

UPDATED PROGRAM REQUIREMENTS FOR DISPOSAL CLAIMS

The Commission updated [Program Guidance](#)¹² to require participants to submit documentation with disposal related reimbursement claims, such as certificates of destruction, demonstrating that covered equipment was disposed of in a manner that rendered it permanently inoperable and prevented its use in another provider's network.

BOTTOM LINE

Taken together, these actions strengthened eligibility review, participant oversight, enforcement, and disposal controls during the audit.

¹⁰ FCC OIG Advisory Regarding Fraud Risks in FCC's "Rip and Replace" Program: To Help Identify and Prevent Improper Payments and Ensure National Security Goals Are Met (March 2026).

¹¹ FCC, Enforcement Bureau and Wireline Competition Bureau, Enforcement Bureau and Wireline Competition Bureau Joint Enforcement Advisory for Rip-and-Replace Program: Including Enhanced Oversight Mechanisms, DA 26-252, Docket No. 18-89 (Mar. 17, 2026).

¹² Secure and Trusted Communications Networks Reimbursement Program: Frequently Asked Questions, at 29 (updated July 7, 2026), released as Attachment 2 to DA 26-679.

Although there is more work to be done, we commend the Commission for its prompt efforts to enhance oversight of this critical national security program and look forward to continuing to work with FCC to address remaining recommendations to strengthen and protect this important national security program.

LIST OF ABBREVIATIONS AND ACRONYMS

Acronym	Definition
C.F.R.	Code of Federal Regulations
Equipment ID	Program portal record associated with covered equipment that houses make, model, and supporting documentation for ownership and eligibility.
FCC	Federal Communications Commission
FCC OIG	Federal Communications Commission Office of Inspector General
Form 5640	FCC form used for SCRP applications, reimbursement requests, spending reports, status reports, and certifications.
Huawei	Huawei Technologies Company, Ltd.
IDV	In-Depth Data Validations
OIG	Office of Inspector General
PP&E	Property, Plant, and Equipment
RR&D	Removal, replacement, and disposal
WCB	Wireline Competition Bureau
ZTE	Zhongxing Telecommunications Equipment Corporation

APPENDIX A: SCOPE AND METHODOLOGY

SCOPE

Our audit scope covered SCRP activities from the Program's inception in December 2021 through June 2024. We reviewed program design and implementation activities related to participant eligibility, approval of cost estimates, reimbursement requests, disposal documentation, project management fees, and corrective actions initiated during the audit. We also reviewed relevant FCC guidance and program data available during the audit period.

METHODOLOGY

We assessed whether the SCRP was effectively designed to comply with the Secure Networks Act and whether program implementation provided reasonable assurance that eligible participants removed, replaced, and disposed of covered communications equipment and services, and that reimbursements were eligible, supported, and reasonable. In addition, we performed procedures that included interviewing program officials, obtaining and reviewing program policies and procedures, analyzing participant data submissions, assessing relevant internal controls, and testing selected invoices and disposal documentation. Specifically, we performed the following procedures:

- Held walkthroughs with FCC and the Fund Administrator to discuss program planning efforts, including risk assessments, performance measures, and the eligible population; data sets and reports generated for the SCRP; and the program execution process, including submission, review, and approval of program applications and reimbursement claims.
- Assessed SCRP methods and procedures related to determining program eligibility, establishing the reasonableness of cost estimates, and submitting reimbursement claims. In addition, we tested for compliance with program requirements for each of these areas.
- Identified 43 applications from 29 unique participants that submitted invoices for decommissioning costs. We selected all 29 participants and assessed the adequacy of supporting documentation provided for the disposal of covered equipment.
- Identified a target population of 8,895 invoices over \$10,000 out of the total universe of 23,355 invoices totaling \$802 million. We selected a random sample of 200 invoices totaling \$91.9 million, reperformed the review process, and evaluated whether paid invoices under the SCRP were reviewed and approved in a manner consistent with the program's objectives and requirements before authorizing payment.
- Identified 22 participants that relied on affidavits as supporting documentation for covered equipment. To perform this analysis, we obtained the equipment records for all 85 participants from the SCRP Program database and screened relevant data fields to identify equipment records supported by affidavits. For participants whose screening results indicated complete reliance on affidavits, we reviewed their entire record to confirm that the participant's covered equipment support consisted entirely of affidavits. For participants whose screening results indicated partial reliance, we reviewed selected records to confirm the presence of both affidavit and non-affidavit documentation. The purpose of this analysis was to determine the number of

participants that relied fully on affidavits and those that used affidavits in combination with other verifiable documentation to support covered equipment included in their SCRP submissions.

- Performed targeted procedures over selected project management reimbursements because, based on our judgement, we identified project management fees as a higher risk expense category during our risk assessment. We reviewed selected reimbursement-related and in-the-field project management invoices and assessed whether supporting documentation was sufficient to demonstrate that the costs were actually incurred, necessary, and reasonable.

We assessed FCC's internal controls and compliance with policies and procedures relevant to the audit objectives by reviewing program rules, guidance, portal records, reviewer documentation, and by reperforming selected review procedures. Our work focused on controls related to eligibility verification, reimbursement review, disposal verification, and project management fees. Our review was limited to controls and principles we deemed relevant to our audit objectives.

We assessed the reliability of SCRP program data by reviewing relevant system documentation, and systems that produced them, reconciling selected data to supporting documentation, checking the data for completeness and anomalies, and interviewing personnel knowledgeable about the data. We determined that the data was sufficiently reliable for the purposes of this report.

We conducted this performance audit in accordance with generally accepted government auditing standards. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

SAMPLING METHODOLOGY

Based on our discussion and analysis with a statistician, we decided to utilize Probability Proportion to Size sampling. This method focuses on testing higher-value invoices, which pose a greater financial risk. Our total universe included 23,355 disbursements totaling \$802 million. We determined that our total population should only include disbursements valued at \$10,000 or more. This resulted in a population of 8,895 disbursements totaling approximately \$757 million, which was 94.36% of the universe total. We tested a total of 200 invoices against various attributes and documented those that were not in compliance.

APPENDIX B: BACKGROUND

In March 2020, Congress enacted the Secure and Trusted Communications Networks Act of 2019 to protect the nation's telecommunications networks from national security threats. The Act included two core mandates: 1) Develop and maintain a list of equipment and services constituting an unacceptable risk to national security, and 2) Subsidize the removal, replacement, and disposal of existing equipment at smaller carriers in a manner that makes that equipment permanently inoperable.

To carry out these critical mandates, Congress directed FCC to establish the Secure and Trusted Communications Networks Reimbursement Program, also known as the "Supply Chain Reimbursement Program" (SCRCP or Program) or the "Rip and Replace Program," and to "take all necessary steps to avoid waste, fraud, and abuse with respect to the Program." The purpose of this Program is to reimburse eligible providers of advanced communications service for expenses incurred in the RR&D of covered communications equipment and services that were obtained on or before June 30, 2020, from their networks. Covered Communications Equipment and Services included equipment and services produced or provided by two Chinese companies, Huawei Technologies Company, Ltd. (Huawei) or Zhongxing Telecommunications Equipment Corporation (ZTE).

Congress initially appropriated \$1.9 billion for FCC to carry out the Program. However, in December 2024, Congress authorized borrowing an additional \$3.08 billion to cover 100% of the estimated expenses pre-approved by FCC for participants, which was repaid through auction funds, for a total Program cost of \$4.98 billion. FCC hired an outside firm (Fund Administrator) to administer this Program under its direction.

Telecommunication providers submitted Program applications between October 2021 and January 2022. FCC initially approved 85 participants or recipients for funding, all categorized as Priority 1, with two million or fewer subscribers.¹³ FCC allocated a certain amount of Program funding to each participant based on the participant's self-certified and pre-approved package of "good faith" estimated expenses submitted to FCC.

To determine these estimated expenses, participants were permitted to rely on a Cost Catalog created by an FCC contractor identifying cost ranges for many, but not all, expenses that could be charged to the Program. Alternatively, participants could obtain and provide independent quotes to support their anticipated costs.

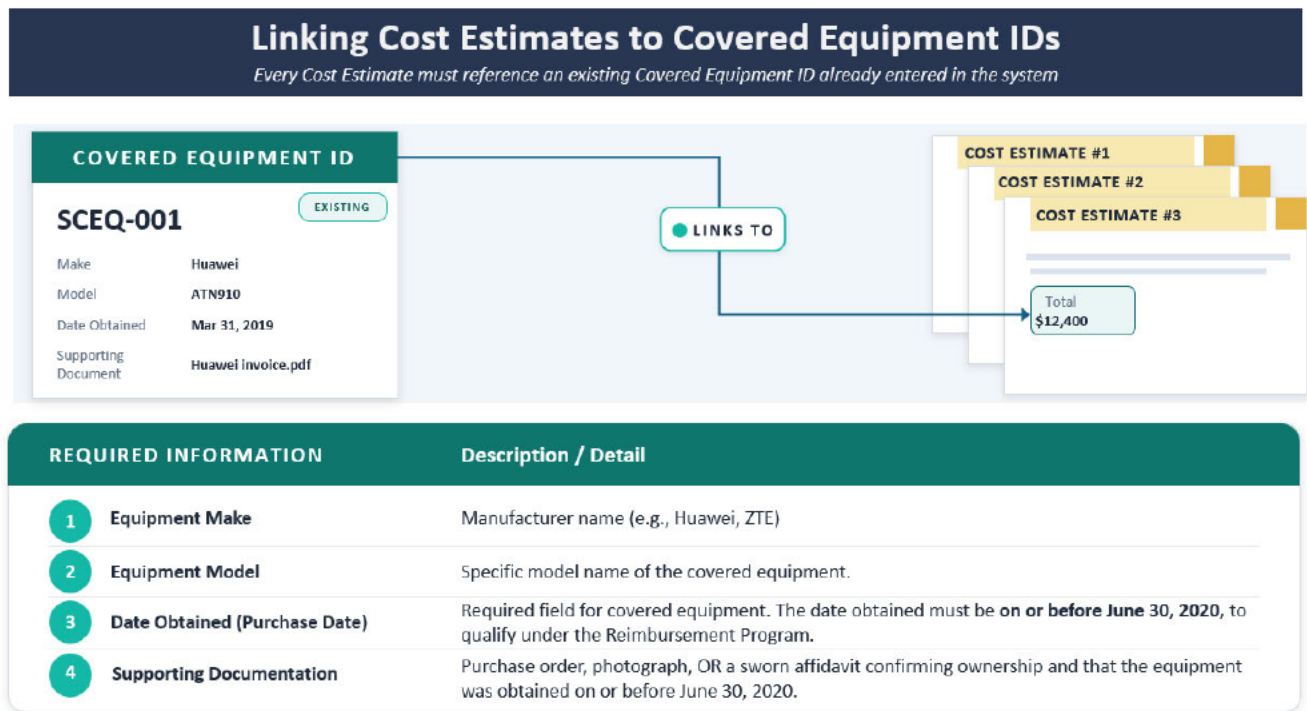
While FCC authorized each participant a top line allocation based on these pre-approved good faith estimated expenses, participants were only authorized to draw down, through certified reimbursement requests accompanied by an invoice, the "reasonable expenses actually incurred" as they carried out the RR&D activities mandated by the Program.

As part of these applications, participants submitted their cost estimates through FCC Form 5640, identifying the covered equipment in their networks, the planned replacement equipment, and the

¹³ [One additional Priority 3 provider was approved on April 24, 2025, after the program was fully funded.](#)

expected costs of the work. For both the existing covered equipment and the planned replacement equipment, participants were required to provide the make and model. The application portal used this information to auto-generate unique Equipment IDs. The FCC Form 5640 User Guide requires participants to include these Equipment IDs in their cost estimate submissions to identify the existing equipment being removed and the replacement equipment for which reimbursement is requested. The Equipment ID is the portal record that houses a covered item's make and model, together with the documentation submitted to establish that it was acquired on or before June 30, 2020. Figure 6 below illustrates how Equipment IDs are generated and linked to cost estimates.

Figure 6: How Equipment IDs Are Generated and Linked to Cost Estimates



Source: FCC OIG analysis of Information from Federal Communications Commission

To establish that covered equipment was acquired by the June 30, 2020 deadline, FCC's application guidance identified dated purchase orders, invoices, or photographs as the primary forms of supporting documentation. Where this documentation was unavailable or did not specify the purchase date, FCC permitted the applicant to submit a signed affidavit certifying that the covered equipment was purchased on or before June 30, 2020. For equipment supported by an affidavit, FCC did not require applicants to provide serial numbers, or other unique identifiers of the certified information.

To support cost estimate development and review, FCC used a Cost Catalog identifying anticipated cost categories and associated estimated cost ranges with each category identified by a cost index. participants could rely on the Cost Catalog or submit individualized estimates supported by documentation, such as vendor quotes. However, vendor quotes are required for eligible expenses

before the participant can be reimbursed for actual costs. The approved cost estimates became the basis for future reimbursement review.

FCC selected a Fund Administrator to manage key program functions. The Fund Administrator reviews reimbursement requests submitted by participants and provides funding recommendations to the Wireline Competition Bureau (WCB) for final approval. Before payment, the Fund Administrator is expected to assess whether claimed costs are allowable, supported, reasonable, and within the authorized scope of the approved cost estimates. Once the cost estimate is approved, it becomes the basis for reviewing the participant's later reimbursement claims. When a participant submits an invoice, the Fund Administrator compares each claimed item against the approved cost estimate to assess whether the cost is allowable, supported, reasonable, and within the authorized scope before recommending payment. Figure 7 below illustrates this process from cost estimate approval through final payment.

Figure 7: SCRP Reimbursement Process - From Cost Estimate Approval to Invoice Payment

Cost estimates are reviewed and approved first; invoices are then validated against those approved estimates.

STAGE 1 · COST ESTIMATE REVIEW

1

Submit Cost Estimates

Recipient files Form 5640 Part C with cost estimates from the Cost Catalog or individualized vendor quotes, each tied to an Equipment ID. Vendor quotes are required for eligible expenses before the participant can be reimbursed for actual costs.

2

Fund Administrator and FCC Review

The Fund Administrator (FA) conducts a technical review of each cost estimate and its supporting documentation for completeness, reasonableness, and allowability. Once the FA issues a recommendation, the Wireline Competition Bureau (WCB) reviews it and approves the cost estimate.

3

Cost Estimate Certified and Approved

Approved cost estimates form the basis of the Recipient's funding allocation.

✓ Recipient certifies: *Cost estimates are made in good faith and limited to costs reasonably incurred for the removal, replacement, and disposal of covered equipment.*



Approved cost estimates become the basis for invoice review

STAGE 2 · INVOICE REVIEW AND REIMBURSEMENT

4

Submit Invoice

Recipient files Form 5640 Part G; each invoice line item identifies the approved cost estimate it relates to, with the vendor invoice attached as a PDF.

5

Invoice Reviewed Against Approved Cost Estimate

The FA evaluates invoices for reasonableness, completeness, and any significant variance from the approved cost estimate. Once the FA issues a recommendation, the WCB reviews it and approves the payment.

6

Reimbursement Certified and Disbursed

Approved invoice amounts are paid to the Recipient.

✓ Recipient certifies: *Invoices reflect actual expenses reasonably incurred for the removal, replacement, and disposal of covered equipment.*

Source: FCC OIG analysis of Information from Federal Communications Commission

Among the costs eligible for reimbursement are project management fees. In Frequently Asked Questions issued in January 2022, FCC distinguished two categories of project management expense. Reimbursement-related project management services consist of administrative activities such as planning, preparing, and filing FCC Form 5640, processing invoices, and collecting documentation.

In-the-field project management services consist of vendor turnkey or bundled technical management services for on-site removal, replacement, and disposal activities, and are associated with cost index 5.7.3 in the Cost Catalog.

FCC also incorporated lifecycle controls into the SCRP. Participants must certify their eligibility and compliance in their applications, reimbursement requests, spending reports, status updates, and final reports. Participants must retain relevant documents, including invoices and receipts for eligible costs actually incurred, for at least 10 years after receipt of their final program disbursement. Participants are also subject to audits, reviews, and field investigations to evaluate compliance with statutory and regulatory requirements.

In its [Best Practices for Supply Chain Equipment Disposal](#), FCC identified as a best practice the retention of a certificate of destruction or media disposition from a qualified outside vendor that includes the manufacturer, model, and serial number of the equipment disposed of. While participants must retain documentation demonstrating compliance with the disposal requirements, program rules do not require participants to maintain that specific documentation, or to provide documentation conclusively establishing their removal and destruction activities, before receiving related reimbursements.

APPENDIX C: KEY ELIGIBILITY CRITERIA AND REQUIREMENTS

The below section summarizes key provisions of the SCRP, to include eligibility criteria and requirements provided by applicable federal regulations and FCC guidance.

Eligibility: Providers of advanced communications service with ten million or fewer customers are eligible to participate in the Program to reimburse such providers solely for costs reasonably incurred for the permanent replacement, removal, and disposal of covered communications equipment or services:[] 47 C.F.R. § 1.50004(a).

***Note:** While FCC informed applicants that their eligibility as advanced communications service providers would be validated using Form 477 filing information, it also provided three alternative verification methods. Two of those alternative forms of proof were: (1) information from the applicant's website describing services provided to customers, and (2) a catalog of services provided to customers. These alternative sources of proof were both significantly less reliable than Form 477, as they could be easily fabricated or altered.*

RR&D Term: Recipients are required to complete the permanent RR&D of covered communications equipment or service within one year of receiving the initial draw down disbursement from their funding allocation, unless extensions are granted. 47 C.F.R. § 1.50004(h).

Covered Communications Equipment and Services: Communications equipment or services produced or provided by Huawei or ZTE that were obtained by providers on or before June 30, 2020. [SCRP Frequently Asked Questions, dated 9/24/21.](#)

Technology Upgrades: FCC informed Recipients that it would only issue allocations and disbursements up to the amount of a comparable replacement using a "costs reasonably incurred" standard. Costs incurred above and beyond the reasonable cost of a comparable replacement will be borne by the Provider. [SCRP Frequently Asked Questions, dated 9/24/21.](#)

Disposal Requirements: Recipients are required to dispose of the covered communications equipment or service in a manner to prevent the equipment or service from being used in the networks of other providers of advanced communications service. The disposal must result in the destruction of the covered communications equipment or service, making the covered communications equipment or service inoperable permanently. Program recipients must retain documentation demonstrating compliance. 47 C.F.R. § 1.50004(j).

Initial Application and Requests for Funding: Eligible providers were permitted to request funding allocations from the Program for RR&D based on an estimate of costs to be reasonably incurred for the RR&D of covered Equipment from its network. Those providers could either rely on the cost catalog for predetermined estimated costs or provide their own cost estimates using supporting documentation and certifications that the estimates were made in good faith. 47 C.F.R. § 1.50004(c)(1).

Funding Allocation: Upon approval of their applications, Recipients were allocated funding to be drawn down as expenses are incurred, pursuant to disbursement process. 47 C.F.R. § 1.50004(e).

Funding Disbursements: Recipients are permitted to file a reimbursement claim request for the draw down disbursement of funds from the Recipient's funding allocation. The Recipient must show **actual expenses reasonably incurred** for the removal, replacement, and disposal of covered communications equipment or service. 47 C.F.R. § 1.50004(g).

Documentation retention requirement: Recipients are required to retain all relevant documents, including invoices and receipts, pertaining to all costs eligible for reimbursement actually incurred for RR&D of covered equipment for a period ending not less than 10 years after receipt of final Program disbursement. 47 C.F.R. § 1.50004(n).

Reporting Requirements: Recipients are required to prepare, certify, and submit:

- Quarterly status updates regarding progress in completing RR&D and compliance with all Program requirements and commitments made in applications. 47 C.F.R. § 1.50004(k).
- Semiannual spending reports regarding how reimbursement funds have been spent, including a detailed accounting of RR&D. 47 C.F.R. § 1.50004(l).

Lifecycle Certifications: Recipients are required to submit multiple certifications attesting to their eligibility, compliance with Program rules, and the accuracy of the information provided in their applications, reimbursement requests, spending reports, status reports, and final certifications. 47 C.F.R. § 1.50004(a), (c), (k), (l), and (m).

Audits, Reviews, and Field Investigations: Recipients are subject to audits and other investigations to evaluate their compliance with the statutory and regulatory requirements of the Program. 47 C.F.R. § 1.50004(o).

Providers certified that they would:

- Reasonably incur the estimated costs claimed as eligible for reimbursement.
- Use all money received from the Program only for expenses eligible for reimbursement.
- Comply with all program policies and procedures related to allocations, draw downs, payments, obligations, and expenditure of money from the program.
- Maintain detailed records, including receipts, of all costs eligible for reimbursement **actually incurred** for a period of 10 years.
- File all required documentation for its expenses.

FCC'S STRONG LIFECYCLE CERTIFICATIONS

At the onset of the Program, FCC inserted strong certifications at every stage of the awards cycle as well as regular and public reporting obligations throughout.

APPENDIX D: FCC MANAGEMENT RESPONSE



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

To: Fara Damelin, Inspector General, FCC

From: Daniel Daly, Managing Director, FCC
Joseph Calascione, Chief, Wireline Competition Bureau, FCC

Date: September 29, 2026

Subject: Management's Response to Office of Inspector General's Audit of the Federal Communications Commission's Supply Chain Reimbursement Program, Report Number: 24-AUD-06-02

In response to the Supply Chain Reimbursement Program (SCRCP or Program) Audit Report, the Federal Communications Commission (FCC or Commission) provides the following response.

The Commission established the SCRCP pursuant to congressional direction in the Secure and Trusted Communications Networks Act of 2019 (Secure Networks Act), which directed the Commission to establish a program to reimburse providers of advanced communications service to remove, replace, and dispose of covered communications equipment or services. The Secure Networks Act focused program support on smaller providers, defined as those with 10 million or fewer customers, and directed the Commission both to mitigate administrative burdens and costs for recipients and to prevent waste, fraud, and abuse in the Program.

Finding 1: FCC Reimbursed Some Participants for Costs Associated with Disposal Activities Without Reasonable Assurance that the Covered Equipment was Removed, Disposed of, and Rendered Inoperable

The Commission concurs with this finding and is actively working to implement these recommendations. We acknowledge the important national security considerations surrounding the complete destruction of covered communications equipment and services. The Commission requires SCRCP recipients to provide an invoice demonstrating the specific work performed before authorizing reimbursement for that work. We therefore have amended and supplemented our reimbursement claim review process to also require recipients to provide documentary evidence of the disposal work, including certificates of destruction. We issued an updated version of our Frequently Asked Questions document highlighting this change to alert recipients to the new requirements. We amended our policies and procedures to account for these changes

and conducted a series of trainings for reviewers to identify the types of documentation required to demonstrate the disposal of covered communications equipment.

The Commission further acknowledges that it had already approved reimbursements for disposal work performed prior to these changes. Accordingly, to ensure we can confirm the complete disposal of all covered communications equipment, the Commission amended its site visit approach. The Fund Administrator will perform site visits for all Program participants, and the new approach requires it to secure proof of disposal for all pieces of covered communications equipment a recipient identified in its application to the Program.

Consistent with the Office of Inspector General's recommendation to refer any potential violations to the Enforcement Bureau (EB), we referred four recipients to EB after the Program Administrator performed site visits at which the recipients were unable to provide sufficient evidence either during or after the visit that certain pieces of equipment had been properly disposed of. A recent site visit for a fifth recipient indicated certain equipment for which it did not have proof of disposal, and we are currently evaluating a further response from the recipient to determine if a referral is necessary. Finally, a site visit for another recipient indicated that additional evidence of disposal was needed for certain equipment, and after further review of requested documentation, we were able to determine that it had adequately disposed of the covered equipment.

Finding 2: FCC's Reliance on Unverified Self-Certified Affidavits to Establish Program Eligibility Criteria Created Risks of Fraud and Improper Payments, though the FCC has Taken Recommended Steps to Mitigate these Risks

The Commission concurs with this finding and appreciates that Office of Inspector General's acknowledgement that the Commission has taken recommended steps to mitigate these risks. Many Program recipients used sworn affidavits to demonstrate the existence of covered communications equipment or services in their networks and thus establish their eligibility for participation in the Program. For the majority of recipients that relied in whole or in part on affidavits for this purpose, the Commission issued in-depth data validation (IDV) requests to acquire additional information about this equipment. The Commission received responses

(b) (5), (b) (7)(A)

and believes it has acquired ample evidence to support the eligibility of these recipients to participate in the Program. For example, the recipients relied on photographs, invoices, purchase orders and other records to demonstrate the existence of covered equipment.

Should the Commission receive information questioning the eligibility of any Program recipient, it would take all necessary action to recover improper payments, refer rule violations to EB, refer any evidence of waste, fraud, and abuse to the Office of Inspector General, and take any other administrative actions as deemed warranted.

Finding 3: FCC Reimbursed Some SCRP Participants Without Adequate Support to Demonstrate Costs were Allowable and Reasonable

The Commission does not concur with this finding because we believe we have adequate support to demonstrate costs were allowable and reasonable for approved reimbursement claim requests. To inform this belief, the Commission both conducted its own review of the sample invoices

referenced by the Office of Inspector General and hired a third-party auditor to conduct an independent review of a large random sample of Program disbursements to determine whether any payments were improper. The Wireline Competition Bureau shared part of its detailed internal review with the Office of Inspector General, including by delineating the engineering and compatibility evaluation and the documentation review undertaken to approve the invoices. As part of the review, the Commission analyzed the underlying cost estimates to determine whether the recipient failed to provide needed information, including replacement and equipment IDs where necessary, to determine whether the costs were allowable and reasonable. The Commission's internal review showed the Commission made no reimbursement without first acquiring adequate support to demonstrate the cost was allowable and reasonable. The third-party auditor conducted a review of reimbursements issued in Fiscal Year 2025, including by using lessons learned from the Office of Inspector General's red flag training, and determined that only one payment in its sample was improper. For that improper payment, the Commission has already taken steps to reclaim the funding.

As part of our ongoing commitment to improve processes to prevent waste, fraud, and abuse in the Program, the Commission now requires specific, documented reviewer notes detailing the rationale for the approval of cost estimates. And as noted above under Finding 1, we have also required recipients that relied on affidavits to demonstrate the existence of covered equipment to provide additional evidence of its provenance.

Consistent with the Office of Inspector General's recommendation to refer any potential violations to EB, we have referred to EB six recipients where there existed additional information that could potentially indicate the existence of improper payments or other non-compliance.

Finding 4: FCC Did Not Have Adequate Controls Over Project Management Fees and Issued Some Reimbursements without Sufficient Support that Costs Were Actually and Reasonably Incurred

The Commission partially concurs with this finding and associated recommendations because it agrees that it can and should develop more robust controls for project management fees. The Commission does not believe that it issued any reimbursements without sufficient support that costs were actually and reasonably incurred.

To support this position, the Commission hired a third-party auditor to conduct a review of a sample of project management fees to determine whether the Commission lacked support to justify these costs. The third-party auditor found that while the level of detail provided by project management firms to justify their expenses differed by provider, the descriptions provided generally met existing review requirements and no payments were improper.

The Commission agrees with the recommendation to provide additional guidance to reviewers on the criteria and documentation standards for project management fees. The Commission agrees with the recommendation to amend the reviewer's guide to establish a baseline for reimbursement-related project management fees and will further scrutinize invoices that deviate from this standard. The Commission will also clearly establish in the reviewer guide the type of documentary evidence needed to support the various types of project management expenses.

Sincerely,

DANIEL
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Daniel Daly
Managing Director
Federal Communications Commission

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CALASCIONE

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Joseph Calascione
Chief, Wireline Competition Bureau
Federal Communications Commission