OFFICE OF
INSPECTOR GENERAL
FEDERAL COMMUNICATIONS COMMISSION

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# Audit of Federal Communications Commission's FY2026 Financial Statements

Audit Report Number: 26-AUD-05-02

November 16, 2026

# Federal Communications Commission FY 2026 Financial Statements Audit

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OFFICE OF
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# MEMORANDUM

DATE: November 16, 2026

TO: Brendan Carr, Chairman
Anna Gomez, Commissioner
Olivia Trusty, Commissioner
Daniel Daly, Managing Director

FROM: Fara Damelin, Inspector General FARA DAMELIN Digitally signed by FARA DAMELIN Date: 2026.11.16 04:50:54 -05'00'

SUBJECT: Transmittal of Final Report: Federal Communications Commission's Fiscal Year 2026 Consolidated Financial Statements Audit (Report No. 26-AUD-05-02)

In accordance with Accountability of Tax Dollars Act of 2002 (Pub. L. 107-289), the Federal Communications Commission Office of Inspector General (FCC OIG) is providing the final report on FCC's Fiscal Year (FY) 2026 Consolidated Financial Statements Audit.

FCC OIG contracted with Kearney & Company, P.C. (Kearney) to perform this audit consistent with the Inspector General Act of 1978, as amended, including but not limited to 5 U.S.C.§§ 402(a)(1), 402(b), 404(a)(1), 405(b) and 406(a)(1)(A). This audit is not intended as a substitute for any agency regulatory compliance review or regulatory compliance audit. The audit was performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States. These standards require that the auditors plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. The objectives of this audit were to:

- Meet the audit requirements established by the ATDA and OMB Bulletin 24-02, Audit Requirements for Federal Financial Statements;
- Express an opinion on whether FCC's fiscal year 2026 consolidated financial statements are presented fairly in all material respects in accordance with the generally accepted accounting principles promulgated by the Federal Accounting Standards Advisory Board;
- Assess the effectiveness of internal controls over financial reporting and compliance with laws and regulations that could have a direct and material impact on the financial statements; and

- Provide a basis for the Government Accountability Office (GAO) to determine the extent to which it can use this audit work in support of the GAO's annual audit of the U.S. Government-wide Financial Statements, of which FCC is a component.

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

The report identified one significant deficiency. In addition, the report provided 27 recommendations for improvement, which were reported out in the Annual FISMA Evaluation. If implemented, the recommendations will aid the FCC in improving the effectiveness of Information Security Program controls in the areas of Risk Management, Configuration Management, Identity and Access Management, Contingency Planning, Incident Response, and Information Security Continuous Monitoring. The report also highlights improvements made by the FCC in FY 2026 and the related closure of 10 prior year financial and IT recommendations. We appreciate FCC's attention to these matters and its associated progress.

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

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

Please direct any questions regarding this report to Phillip Faller, Assistant Inspector General for Audits, Inspections, and Evaluations at (202) 418 – 0478 or Phillip.Faller@fcc.gov or Troy Green, Acting Deputy Assistant Inspector General for Audits, Inspections, and Evaluations at (202) 418 – 2928 or Troy.Green@fcc.gov.

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

Attachment

cc: Scott Delacourt, CH-BC, Chief of Staff
Miriam Montgomery, OMD, Deputy Management Director
Jae Seong, OMD, Chief Financial Officer

KEARNEY& COMPANY

1701 Duke Street, Suite 500, Alexandria, VA 22314
PH: 703.931.5600, FX: 703.931.3655, www.kearneyco.com

# INDEPENDENT AUDITOR'S REPORT

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

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the consolidated financial statements of the Federal Communications Commission (FCC), which comprise the consolidated Balance Sheets as of September 30, 2026 and 2025, the related consolidated Statements of Net Cost, the consolidated Statements of Changes in Net Position and Custodial Activity, and the combined Statements of Budgetary Resources (hereinafter referred to as the "financial statements") for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of FCC as of September 30, 2026 and 2025 and its net cost of operations, changes in net position, custodial activity, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about FCC's ability

to continue as a going concern for a reasonable period of time beyond the financial statement date.

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedule of Budgetary Resources by Major Account be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by

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OMB and the Federal Accounting Standards Advisory Board (FASAB), who consider it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02, we have also issued our reports, dated November 16, 2026, on our consideration of FCC's internal control over financial reporting and on our tests of FCC's compliance with provisions of applicable laws, regulations, contracts, and grant agreements, as well as other matters. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of FCC's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02 in considering FCC's internal control over financial reporting and compliance.



Alexandria, Virginia
November 16, 2026

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1701 Duke Street, Suite 500, Alexandria, VA 22314
PH: 703.931.5600, FX: 703.931.3655, www.kearneyco.com

# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the Federal Communications Commission (FCC) as of and for the year ended September 30, 2026, and the related notes to the financial statements, which collectively comprise FCC's financial statements, and we have issued our report thereon dated November 16, 2026.

## Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying **Schedule of Findings** as Item I, that we consider to be a significant deficiency.

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

**The Federal Communication Commission's Response to Findings**

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

**Purpose of This Report**

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



Alexandria, Virginia
November 16, 2026

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## Schedule of Findings

## Significant Deficiencies

### I. Information Technology (*Modified Repeat Condition*)

**Background:** The Federal Communications Commission **(**FCC) uses information systems to compile information for financial reporting purposes. This includes FCC's core financial management and accounting system, Genesis, and third party-systems owned and operated by organizations outside of FCC that affect the Commission's business processes and financial statements. FCC's general information technology (IT) support system serves as the gateway for users to access FCC information and information systems, including Genesis. In addition, because FCC's financial statements include financial transactions relating to the Universal Service Fund (USF) programs, FCC relies upon general IT support systems and specific applications utilized by the administrator of USF programs (i.e., Universal Service Administrative Company [USAC]).

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

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

Additionally, we performed risk-based procedures related to the core financial management system utilized by USAC to administer USF programs, the USAC Finance (UNIFi) system, as well as USAC's Schools and Libraries (S&L) account and application management system, E-Rate Productivity Center (EPC). Similar to FCC, USAC's general IT support system is the gateway for users to access UNIFi. Our *Fiscal Year (FY) 2026 FISMA Evaluation Report* includes detailed information for each identified finding.

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

- **FCC General IT Support System:** The FY 2026 FCC FISMA evaluation identified deficiencies in multiple IT control areas that impacted FCC's general IT support system,

including Risk Management, Identity and Access Management, Configuration Management, ISCM, and Contingency Planning. Most notably, during FY 2026, FCC did not:

- Consistently enforce the use of Personal Identity Verification or other phishing-resistant multi-factor authentication mechanisms to access FCC information systems,
- Properly manage user accounts with access to the FCC's network,
- Design adequate segregation of duties controls for all information systems,
- Consistently remediate identified network vulnerabilities within the timeframes required by FCC policy,
- Consistently implement the Risk Management Framework for all information systems,
- Complete efforts to ensure compliance with hardened baseline configurations,
- Consistently maintain sufficient documentation to support the testing results of all changes to FCC's general IT support system, and
- Consistently update contingency plans for all information systems.

  - **USAC Systems Utilized in Administering the USF Programs:** The FY 2026 FCC FISMA evaluation and FISCAM testing in support of the financial statement audit did not identify any deficiencies in IT control areas that impacted USAC's UNIFi and EPC.

**Cause:** FCC's ongoing efforts to implement planned corrective actions to remediate longstanding IT deficiencies continue to require prioritization. Specific causal information for each issue identified during the FY 2026 FISMA evaluation is addressed in the *Non-Public FISMA Evaluation Report*.

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

**Recommendations:** Kearney's full *FY 2026 FISMA Evaluation Report* included 27 recommendations intended to improve the effectiveness of the FCC's Information Security Program controls in the areas of Risk Management, Configuration Management, Identity and Access Management, ISCM, and Contingency Planning. All twenty-seven of the recommendations relate to FCC and 18 relate to FISCAM control areas.

* * * * *

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## APPENDIX A: STATUS OF PRIOR-YEAR DEFICIENCIES

In the *Independent Auditor's Report on Internal Control over Financial Reporting* included in the Federal Communication Commission's (FCC)'s fiscal year (FY) 2025 Agency Financial Report, we noted several issues that were related to internal control over financial reporting. The status of the FY 2025 internal control findings are summarized in ***Exhibit 1***.

***Exhibit 1: Status of Prior-Year Findings***

| Control Deficiency | FY 2025 Status | FY 2026 Status |
|---|---|---|
| **Information Technology** | Significant Deficiency | Significant Deficiency |
| **Inaccurate Obligation of High Cost Subprograms** | Significant Deficiency | Remediated |

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the Federal Communications Commission (FCC) as of and for the year ended September 30, 2026, and the related notes to the financial statements, which collectively comprise FCC's financial statements, and we have issued our report thereon dated November 16, 2026.

### Report on Compliance and Other Matters

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

### Purpose of this Report

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



Alexandria, Virginia
November 16, 2026

**UNITED STATES GOVERNMENT**
**FEDERAL COMMUNICATIONS COMMISSON**

***Office of the Managing Director***

**DATE:** November 16, 2026

**TO:** Fara Damelin, Inspector General

**FROM:** Daniel Daly, Managing Director
Jae Seong, Chief Financial Officer
Farhan Khan, Chief Information Officer

**SUBJECT:** Management's Response to Independent Auditor's Reports on Internal Control over Financial Reporting and Compliance with Laws, Regulations, Contracts, and Grant Agreements for Fiscal Year 2026

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

We are pleased that, for the twenty-first (21) straight year, the independent auditor provided an unmodified ("clean") opinion and found that the Commission's consolidated financial statements for Fiscal Year (FY) 2026 present fairly, in all material respects, the financial position of the Commission as of September 30, 2026. In addition, the results of the audit tests disclosed no instances of noncompliance or other matters that are required to be reported.

Despite this successful outcome, work remains here at the Commission. The FY 2026 audit report identified a repeat significant deficiency related to information technology controls. We concur with the recommendations made by the independent auditors in their reports.

We look forward to working in FY 2027 to resolve the FY 2026 audit findings and to enhance the culture of integrity, accountability, and excellence that exists here at the Commission.

DANIEL DALY Digitally signed by DANIEL DALY Date: 2026.11.16 07:47:38 -05'00'

Daniel Daly
Managing Director
Office of Managing Director

JAE SEONG Digitally signed by JAE SEONG Date: 2026.11.16 06:48:39 -05'00'

Jae Seong
Chief Financial Officer
Office of Managing Director

FARHAN KHAN Digitally signed by FARHAN KHAN Date: 2026.11.16 07:58:11 -05'00'

Farhan Khan
Chief Information Officer
Office of Managing Director

For information on FCC Financial Statements, Notes and Supplemental Information, please refer to the link: FCC Agency Financial Report FY 2026

# Report Fraud, Waste, and Abuse

We accept information and complaints from all sources about potential fraud, waste, abuse, and mismanagement in FCC programs.



## *Contact:*

**PHONE: (888) 863-2244 or 202-418-0473**

**Website: Visit FCC OIG Website**

**Hotline: Submit a Complaint at FCC OIG Hotline**

### *Who can report?*

**Anyone who suspects fraud, waste, and abuse in an FCC program should report their concerns to OIG. We investigate alleged or suspected fraud and other misconduct related to all FCC programs and operations.**

### *How Does it help?*

**By reporting concerns to OIG, you help us perform effective oversight, safeguard taxpayer investments, and increase FCC program integrity.**

### *Who is protected?*

**The Privacy Act, the Inspector General Act, and other applicable laws protect people who report fraud, waste, and abuse. The Inspector General Act of 1978 states that the Inspector General shall not disclose the identity of an employee who reports an allegation or provides information without the employee's consent, unless the Inspector General determines that disclosure is unavoidable during the investigation. By law, Federal employees may not take or threaten to take a personnel action because of whistleblowing or the exercise of a lawful appeal, complaint, or grievance right. Non-FCC employees who report allegations may also specifically request confidentiality.**

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